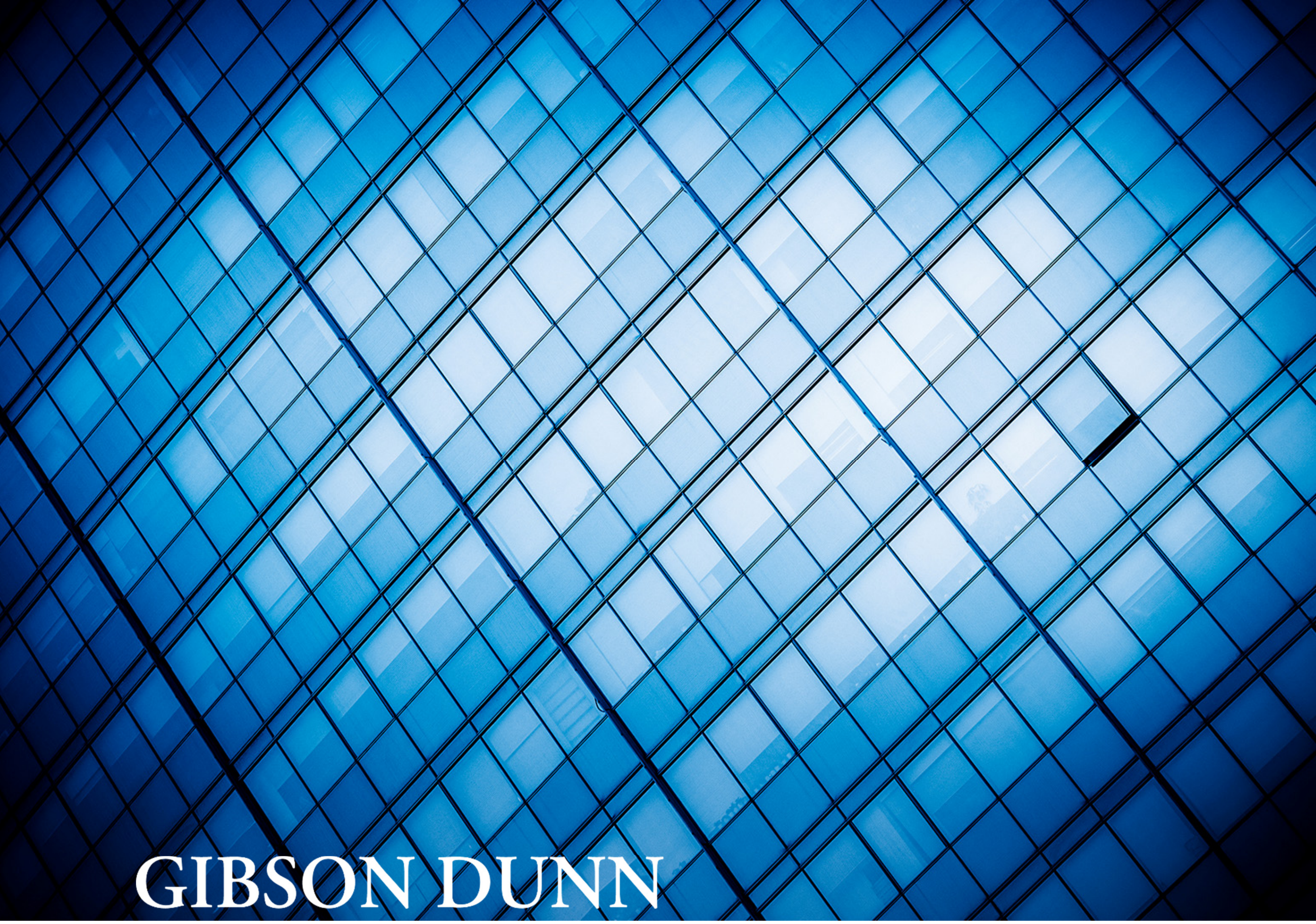

Reactions To The Monitoring Group Consultation Paper Regarding International Audit-Related Standard Setting: A Summary Of Public Comments*

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*This report has been prepared by Gibson, Dunn & Crutcher LLP, an international law firm. The International Federation of Accountants engaged Gibson, Dunn & Crutcher LLP to prepare this report.

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I. Introduction

1. This report reviews and summarizes the public comments submitted in response to the recent Consultation Paper published by the Monitoring Group, *Strengthening the Governance and Oversight of the International Audit-related Standard-setting Boards in the Public Interest*.[1]

2. The Monitoring Group is responsible for the overall governance of the process used to set international auditing standards and international ethics standards for accountants, and the overall governance of setting international accounting education standards. The Monitoring Group is a collaboration of a number of international financial institutions and regulatory bodies.[2] The Monitoring Group's Consultation Paper (Consultation Paper) has as its primary stated purpose to help ensure that international standard setting serves the public interest. Among other things, the Consultation Paper expresses concern with possible undue influence—and the perception of undue influence—by the accounting profession on the development of standards, as well as concern with the relevance and timeliness of the standards established under the current standard-setting process.[3]

3. In response to these and other concerns, the Consultation Paper suggests several changes to the current international standard-setting process related to audits and ethics for accountants, and seeks views on whether there should be continued public-interest oversight of international standard setting for accounting education. The proposed changes include altering:

   - the number of and the responsibilities of the standard-setting boards;[4]
   - the process for choosing the members of the standard-setting boards;[5]
   - the size and composition of the standard-setting boards;[6]

[1] The Monitoring Group Consultation Paper is available at https://www.iosco.org/library/pubdocs/pdf/IOSCOPD586.pdf.
[2] The Monitoring Group board has eight members and one observer. A list of current members is available at https://www.iosco.org/about/?subSection=monitoring_board&subSection1=members.
[3] *See* Consultation Paper at 8.
[4] *See* Consultation Paper at 11–12.
[5] *See* Consultation Paper at 16–17.
[6] *See* Consultation Paper at 13–16.

- the focus of the standard-setting boards;[7]
- the remuneration of board members;[8]
- the standard-setting boards' voting procedures;[9]
- the role and composition of the body tasked with overseeing the standard-setting boards;[10]
- and the standard-setting boards' source of funding.[11]

This report summarizes and analyzes the positions taken in the comments submitted with respect to each of these proposed changes.

The report also examines the positions taken by commenters on 2 broader issues raised by the Consultation Paper:

- whether there are problems with the current standard-setting process; and

- whether the principles regarding public interest discussed in the Consultation Paper should form the foundation of a yet-to-be developed public-interest framework, which then could be used as a rubric for proposing and evaluating changes to the standard-setting process.

This report refers to these 10 issues (the 2 broader questions and the 8 proposed changes listed above) as "topic areas."

4. To date, the Consultation Paper has elicited 179 public comments, representing views from commenters across a wide range of geographies and stakeholder groups. As discussed in the body of the report, commenters positions' varied widely on the different topic areas of the Consultation Paper, but generally provided significant criticism of the broader changes proposed by the Consultation Paper. In contrast, a few of the less controversial, operational recommendations in the Consultation Paper received favorable comments from a majority of commenters addressing those recommendations.

5. Section II of this report contains an executive summary that describes the current standard-setting process; provides a detailed summary of the Monitoring Group Consultation Paper; recounts the timeline of the release of the Monitoring Group Consultation Paper and the subsequent meetings held to discuss the Consultation Paper; explains the methodology used in this report to analyze the

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[7] *See id.*
[8] *See id.*
[9] *See id.*
[10] *See id.* at 18–20.
[11] *See id.* at 24–25.

comments to the Consultation Paper; and provides a summary of the commenters' observations and positions in response to the Consultation Paper, as well as commenters' proposals for next steps. Section III begins with a summary of the general degree of support expressed in the comments for the Consultation Paper's various proposals and a description of the recurring themes in the comments. Section III then provides in-depth analysis on the comments in each of the 10 selected topic areas included in the Consultation Paper, providing a quantitative description of the commenters' positions as well as a qualitative summary of the reasons the commenters gave to support their positions. Section IV summarizes the next steps proposed by the comments. Section V concludes this report with a brief summary of the commenters' reactions to the Consultation Paper, identifying those topic areas for which the Consultation Paper's positions received widespread support and identifying those topic areas for which additional discussion and deliberation are encouraged to reach consensus. Finally, Section VI includes appendices that provide additional detail regarding the geographic regions and stakeholder groups of the commenters.

II. Executive Summary

A. The Current Standard-Setting Process

6. The Monitoring Group's Consultation Paper proposes a series of changes to the process used to set international auditing standards and international ethics standards for accountants and seeks views on whether there should be continued public-interest oversight of international standard setting for accounting education. The current process used to set these standards is the result of a 2003 agreement between the Monitoring Group and the International Federation of Accountants (IFAC).[12] Under this agreement, the International Auditing and Assurance Standards Board (IAASB) sets international standards related to auditing and assurance, and the International Ethics Standards Board for Accountants (IESBA) sets international ethics standards for accountants.[13] Notably, the international standards that these boards "set" are not binding of their own accord: the standards are merely advisory, but these standards can affect audits by obtaining general acceptance among practitioners, by influencing the content of binding standards adopted by local jurisdictions, or by being formally adopted in part or whole as binding standards by a local jurisdiction.

7. The PIOB is responsible for overseeing the process of standard setting and the process of nominating individuals to serve as members of the IAASB and IESBA. Although the PIOB also receives a majority of its funding from IFAC,[14] it is subject to the Monitoring Group's supervision and its members are directly chosen by the Monitoring Group.[15] The PIOB currently oversees the IAASB and IESBA by directly observing the meetings of the standard-setting boards and the meetings of IFAC's Nominating Committee (which is responsible for managing the process of selecting the members of the standard-setting boards), by reviewing reports prepared by IFAC

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[12] Public Interest Oversight Board (PIOB), *Standard Setting In The Public Interest: A Description Of The Model* (September 15, 2015) at 1.

[13] In addition, the International Accounting Education Standards Board (IAESB) sets international standards relating to the education of accountants. *See Standard Setting In The Public Interest: A Description Of The Model* at 1. The Consultation Paper does not seek views on changes to the operation of the IAESB, but does seek views on whether there should be continued PIOB oversight of the IAESB.

[14] *See How The PIOB Operates*, http://www.ipiob.org/index.php/how-the-piob-operates.

[15] *See* Monitoring Group Charter, Article 2, *available at* https://www.iosco.org/about/monitoring_group/pdf/monitoring_group_charter.pdf.

leadership and the chairs of the standard-setting boards, and by providing final approval of the nominations of members of the standard-setting boards.[16]

8. The IAASB and IESBA operate with the financial and operational support of IFAC: IFAC provides the funding for the remuneration of the chair of each board (the other members of the IAASB and IESBA are not remunerated), and IFAC employs the technical staff who assist the work of each board.[17] IFAC's funding is derived primarily from membership dues and from contributions from the Forum of Firms, an independent association of international networks of firms that perform transnational audits.[18]

9. The IAASB and IESBA each consist of 18 members, and standards are set on the basis of a super-majority vote: to be approved, a proposed standard must receive the affirmative vote of at least 12 of the 18 members.[19] Each of these boards includes no more than 9 "practitioners" (i.e., members or employees of auditing firms), and at least 3 of the non-practitioner board members must be "public members"; these public members are intended to represent the broader public interest, and non-accountants are encouraged to serve in these positions.[20] Regardless of the category an individual board member falls into, all of the board members are selected through a process managed by IFAC's Nominating Committee and overseen by the PIOB: each year, the Nominating Committee announces an open call for nominations,[21] reviews applications, interviews candidates, and selects a list of nominees to send for approval to the IFAC Board.[22] After the IFAC Board reviews and endorses the nominees, it submits the nominees to the PIOB for its final approval.[23]

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[16] *See* PIOB, *How The PIOB Operates*.
[17] *Standard Setting In The Public Interest: A Description Of The Model* at 2–3.
[18] *See* 2016 IFAC Annual Report at 4, *available at* https://www.ifac.org/system/files/publications/files/IFAC-2016-Financial-Statements_0.pdf.
[19] *Standard Setting In The Public Interest: A Description Of The Model* at 6.
[20] *Id.* at 2.
[21] The call for nominations is publicly available and describes the positions available and the Nominating Committee's selection criteria. *See* IFAC, *Call for Nominations for the Independent Standard-Setting Boards in 2019*, *available at* https://www.ifac.org/system/files/publications/files/CFN-for-the-Independent-SSBs-in-2019.pdf.
[22] *Standard Setting In The Public Interest: A Description Of The Model* at 2.
[23] In addition to exercising final approval of the nominations of members of the standard-setting boards, the PIOB also exercises final approval of the nominations of the members of the Nominating Committee. *See Standard Setting In The Public Interest: A Description Of The Model* at 8–9.

B. The Consultation Paper's Proposed Changes

10. The Monitoring Group's Consultation Paper agrees that the current process has generated standards that have "commanded international respect and have been widely adopted"[24]—indeed, more than 125 jurisdictions have adopted ISAs or use or have committed to use ISAs as the basis for their own standards.[25] However, the Consultation Paper expresses certain concerns with the procedures for selecting members of the standard-setting boards and for setting the standards.[26] Specifically, the Consultation Paper contends that the current process produces an "adverse effect on stakeholder confidence in the standards as a result of a perception of undue influence by the profession" because IFAC "manages the nomination process" and "directly funds, accommodates, and provides support and staffing for the standard-setting boards," and because "[a]udit firms and professional accountancy bodies provide a majority of board members and their technical advisors."[27] The Consultation Paper also posits that the influence of the profession creates "a risk that standards are not developed fully in the public interest" and argues that the current process insufficiently ensures the "relevance and timeliness of standards."[28]

11. In response to these concerns, the Consultation Paper recommends a series of changes. Before discussing these changes, the Consultation Paper outlines a set of principles it believes should be used to evaluate the current standard-setting process and any changes that might be made to this process. The Consultation Paper identifies the fundamental principle by which any standard-setting process must be measured as the "public interest."[29] The Consultation Paper does not define what is meant by the "public interest" and has not yet issued a public-interest framework, but does outline several "supporting principles" related to the public interest: specifically, that the standard-setting process should be independent, credible, cost effective, relevant, transparent, and accountable.[30]

12. The most notable changes suggested in the Consultation Paper, as indicated by the changes on which the commenters tended to focus, include the individual recommendations summarized above in Section I and described below in additional detail:

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[24] Consultation Paper at 8.
[25] *Support and Guidance*, IAASAB, http://www.iaasb.org/clarity-center/support-and-guidance (last visited Apr. 13, 2018).
[26] Consultation Paper at 8.
[27] *Id.*
[28] *Id.*
[29] *Id.* at 9.
[30] In addition to these principles, the Consultation Paper notes that it is also important that the standard-setting process be "sustainable in the long term" with a secure source of funding. *See id.* at 9.

- Reducing the role of IFAC in the standard-setting process, principally by removing the IFAC Board and the IFAC Nominating Committee from the process for choosing the members of the standard-setting boards; following a transitional period, the nominations process would be administered solely by the PIOB.[31]
- Combining the IAASB and IESBA into a single board that would be responsible for setting auditing standards and setting ethics standards *for auditors* or having separate boards for setting (i) auditing and assurance and (ii) ethics standards (under either proposal, a separate board would continue to set ethics standards for other, non-auditor accountants).[32]
- Reducing the size of the standard-setting boards from 18 to 12 and changing the composition of the boards to consist of 3 groups of 4 members drawn from each of 3 different stakeholder groups: "users" (investors, preparers, academics, and those charged with governance); "regulators" (audit, securities, and prudential regulators); and "auditors."[33]
- Changing the focus of the standard-setting boards so that the boards focus on more strategic questions and do not engage in "detailed drafting."[34]
- Remunerating *all* board members rather than only the chairs of the standard-setting boards.[35]
- Altering the standard-setting boards' voting procedures to use a simple majority voting rule rather than the current super-majority voting rule (requiring the vote of at least 12 of 18 of the board's members).[36]
- Expanding the PIOB's role beyond oversight of the *process* used to set standards and to nominate members of the standard-setting boards to include not merely overseeing the nominations process and approving nominated candidates but controlling the nomination of the standard-setting boards' members, evaluating the performance of the standard-setting boards' members, and facilitating the collection of funds for the standard-setting boards. Under this proposal, the *PIOB's* members would be chosen by the Monitoring Group, and the Consultation Paper requests feedback regarding potential changes to the composition of the PIOB.[37]

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[31] *See id.* at 16–17.
[32] *See id.* at 11–12.
[33] *See id.* at 15–16.
[34] *See id.* at 11.
[35] *See id.* at 13–14.
[36] *See id*. at 14.
[37] *See id.* at 18–19.

- Diversifying the standard-setting boards' funding to expand from relying solely on IFAC's funding and instead include other sources of funding; the Consultation Paper also suggests collecting funds "via a contractual levy on audit firms."[38]

13. The Monitoring Group published its Consultation Paper on November 9, 2017. The Monitoring Group held 4 roundtable public meetings to discuss the Consultation Paper in the beginning of 2018: in Johannesburg on January 10; in London on January 15; in Washington, D.C. on January 24; and in Singapore on January 30.[39] According to a Monitoring Group press release, the Consultation Paper received comments from more than 180 stakeholders; 179 comments have been published on the IOSCO website and are now publicly available.[40]

C. Methodology Of This Report

14. The goal of this report is to perform an objective analysis of the comments submitted on the Monitoring Group's Consultation Paper. As of the publication of this report, the Consultation Paper elicited 179 public comments, which have been posted to the website of the International Organization Of Securities Commissions (IOSCO), a member organization of the Monitoring Group.[41] Of the 179 comments posted to the IOSCO website, 170 public comments were analyzed for purposes of this report. Of the remaining 9 comments, 2 were not analyzed because they were not posted at the time of the publication of this report or were posted too close to the date of publication to be included.[42] And the remaining 7 comments were not analyzed because the

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[38] *See id*. at 24–25.
[39] *See* Monitoring Group, "MG to hold roundtables on reforms to audit standard-setting process," Press Release, *available at* https://www.iosco.org/news/pdf/IOSCONEWS484.pdf.
[40] *See* Monitoring Group, "Reform of audit-related standard setting boards meets vast interest from stakeholders," Press Release, *available at* https://www.iosco.org/about/monitoring_group/pdf/2018-02-21-Reform-of-audit-related-standard-setting-boards-meets-vast-interest-from-stakeholders.pdf. All 179 public comments are available at https://www.iosco.org/publications/?subsection=public_comment_letters.
[41] *See* https://www.iosco.org/publications/?subsection=public_comment_letters.
[42] The comment letter submitted by Lesotho CPA was not posted at the time of publication. The comment letter submitted by RSM UK for Group A Firms was posted too close to the time of publication of this report to be included in the analysis.

comments were not written in English,[43] because they were duplicates of other comments,[44] or because the substantive comments were not included with the letter posted to the IOSCO website.[45]

15. The analysis of these 170 comments began by identifying the major issues raised by Monitoring Group's Consultation Paper. Ten major "topic areas" were identified: the 2 broader strategic issues that begin the Consultation Paper (whether there are major problems with the current standard-setting process and whether the overarching principle and other supporting principles presented in the Consultation Paper should form the foundation of a yet-to-be developed public-interest framework, and which would then be an effective rubric for designing and evaluating changes to the standard-setting process) and the 8 specific recommended changes identified in the Consultation Paper and outlined above.

16. For purposes of this report, each comment letter was coded with a score indicating the commenter's position on each of the 10 topic areas. The scores range from 1 to 5 as follows:

- 1: comment fully agrees with the position taken by the Consultation Paper
- 2: comment agrees, with reservations, with the position taken by the Consultation Paper
- 3: comment is ambivalent with respect to the topic area
- 4: comment disagrees, with reservations, with the position taken by the Consultation Paper
- 5: comment fully disagrees with the position taken by the Consultation Paper

After all of the public comments were coded, the results were combined so that the comments could be comprehensively and objectively analyzed.

17. Section III reports the results of this analysis for each of the 10 topic areas. Also, in describing the number of comments taking a particular position on particular matters, this report uses the following terminology:

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[43] The comments submitted by Inter-American Accounting Association (AIC); Commission de Normalisation Comptable de l'OHADA; and Institute of Certified Public Accountants, Dominican Republic (ICPARD) were not written in English.
[44] The comment submitted by Chartered Accountants Australia and New Zealand and The Association of Certified Chartered Accountants is a duplicate of the comment submitted by CA ANZ and ACCA (joint submission), and the comment submitted by Ordre des Experts Comptables, Morocco is a duplicate of the comment submitted by Fédération des Experts Comptables Méditerranéens (FCM).
[45] The posted letters by the Lithuanian Authority of Audit, Accounting, Property and The World Bank Group did not include those organizations' substantive comments.

- "Some" comments: 2 to 4 comments
- "Several" comments: 5 to 9 comments
- "Many" comments: 10 or more comments

Section III describes the average scores for each of the topic areas by averaging only those comments that took a position on the topic, ignoring all comments that did not take a position on that specific topic area. These averages do, however, include the comments that take an ambivalent position with respect to a topic area. For each comment letter, the entirety of the letter was evaluated to determine if a given area was addressed, such that both the general, qualitative responses and the answers to the Monitoring Group's specific questions were assessed.

D. Summary of Observations

(1) Commenters Generally Criticized The Premises Of The Consultation Paper

18. Commenters expressed skepticism about some of the core premises of the Consultation paper—that there are major concerns with the current standard-setting process and that there is currently a workable public-interest framework to evaluate changes to the current process.[46] For instance, commenters addressing the Consultation Paper's discussion of the perceived problems with the current standard-setting process disagreed with the Consultation Paper's assertion that significant changes are required to the standard-setting process by roughly a 2-to-1 margin.[47] According to the large majority of commenters, the current standard-setting model has produced high-quality standards that have gained widespread acceptance.[48] The commenters criticizing the broad changes suggested by the Consultation Paper also took issue with the claimed perception of undue influence by the accounting profession over the standard-setting process, and further expressed the sentiment that there is no evidence that the current standards were not developed in the public interest.[49] For example, the PIOB, which as noted earlier is the Public Interest Oversight Board, noted in its comment letter that it "does not believe that there is a problem with the quality of the standards developed today."[50]

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[46] Consultation Paper at 8.
[47] *See* Section III.B.
[48] *See* Section III.B.3.
[49] *See id.*
[50] PIOB at 2.

19. A majority of commenters also expressed disagreement with the Consultation Paper's public-interest framework.[51] The most common concern articulated among these commenters was the fact that the Consultation Paper did not define its concept of the "public interest"—making it difficult to assess the foundation for the Monitoring Group's proposed changes to the current structure. Developing an agreed-upon public-interest framework, for these commenters, is the foundation for any proposals as to a revised standard-setting model. Relatedly, a number of commenters provided suggestions for further defining the public interest, and inclusion of particular stakeholders in developing a proposed public-interest framework.[52]

(2) Commenters Generally Expressed Skepticism Regarding The Broader Governance Changes Proposed By The Consultation Paper

20. A majority of commenters also took issue with the Consultation Paper's more sweeping proposals. For example, there was widespread disagreement with the Consultation Paper's proposal to create a single board responsible for setting both audit standards and ethics standards for auditors: well over a majority of comments addressing that topic area opposed the proposal without reservation.[53] The majority of comments also opposed the Consultation Paper's proposed switch to a simple-majority voting rule,[54] its proposed expansion of the PIOB's role,[55] and its proposed change regarding the standard-setting boards' sources of funding.[56]

(3) Commenters Provided Significant Support For Some Operational Changes Proposed In The Consultation Paper

21. Notwithstanding commenters' concerns with the underlying premises and major proposed changes to the standard-setting system in the Consultation Paper, a few of the specific, operational recommendations in the Consultation Paper were viewed favorably by a sizable majority of the commenters addressing the recommendations.

[51] *See* Section III.C.
[52] *See* Section III.C.4.
[53] *See* Section III.E.
[54] *See* Section III.I.
[55] *See* Section III.J.
[56] *See* Section III.K.

22. For example, a vast majority of the comments agreed with the Monitoring Group's suggestions to remunerate the members of standard-setting boards.[57] According to these commenters, providing remuneration for board members would help attract high quality candidates, and also support diverse board membership.[58]

23. Commenters also broadly supported the Consultation Paper's proposal to help ensure that the standard-setting boards have a more strategic focus. Commenters noted that an enhanced strategic focus would allow standard-setting boards to facilitate effective development work, as well as deal with key issues, decision-making, and planning.[59]

24. Several commenters also expressed support for a multi-stakeholder solution with respect to the composition of the standard-setting boards and the PIOB, although multiple commenters expressed a view that the influence of audit professionals in both the PIOB and the technical staff hired to support the standard-setting boards should be limited.[60] Commenters did emphasize, however, the PIOB members should have at least basic knowledge about auditing, even if they were not former audit professionals. There also was widespread support for continuing PIOB oversight of standard-setting boards covering all accountants, rather than limiting its focus to only assurance standards and ethical standards for auditors. Many commenters focused on the importance of hiring technical professional staff to support the standard-setting boards, but questioned the available funding for additional staff positions.

25. Other topic areas received mixed responses from commenters. For example, although a substantial number of commenters supported the Consultation Paper's suggestion to have a more open nominations process for selecting members of standard-setting boards,[61] a majority of commenters addressing this issue did not agree with the proposal to have this process controlled by the PIOB.[62] On these topics, 36 commenters supported the idea of having a more open nomination process controlled by an independent body, yet disagreed with the Consultation Paper's premise that concerns with the current standard-setting process were sufficiently severe to require significant changes to the international standard-setting process.[63]

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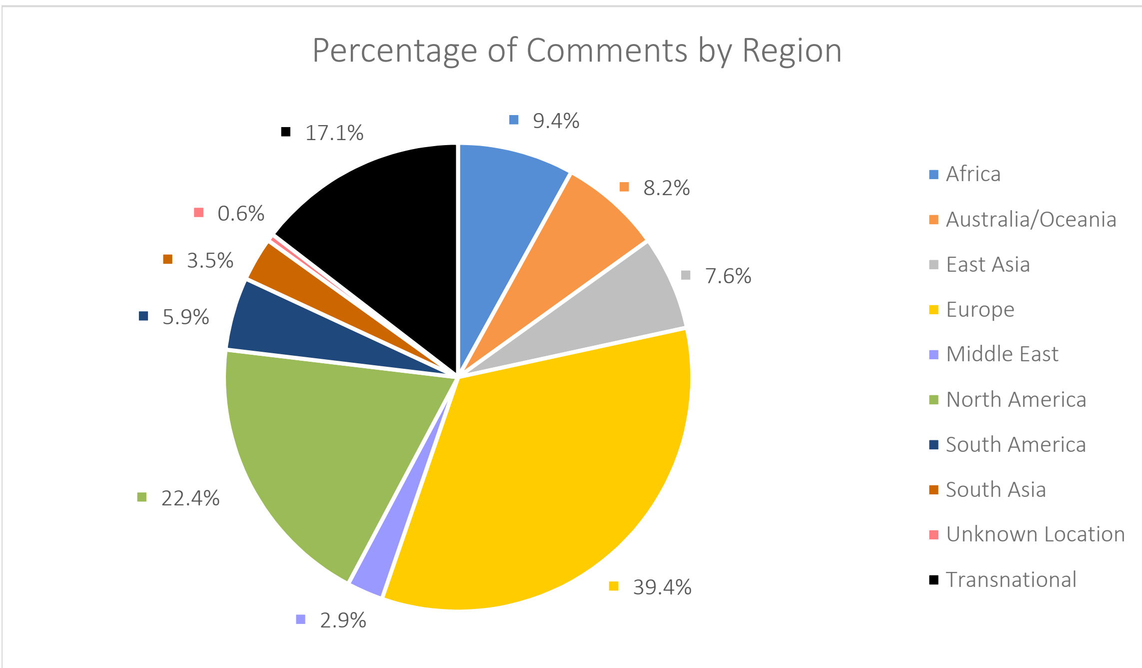
[57] *See* Section III.H.
[58] *See* Section III.H.3.
[59] *See* Section III.G.
[60] *See* Section III.L.
[61] *See* Section III.D.3.
[62] *See* Section III.D.4–6.
[63] *See* Section III.D.3.

(4) A Large, Diverse Group Of Commenters Reacted To The Consultation Paper

26. Separate from the substance of the comments, the number and diversity of commenters responding to the Consultation Paper is notable. The 170 comments analyzed in this report represent views from commenters in many different regions of the globe. Although more than 60% of the commenters are based in either Europe or North America, the commenters also represented views from Australia/Oceania, Africa, South America, East Asia, South Asia, and the Middle East.[64]



27. Commenters from Europe and the Middle East were in favor of a number of significant proposals from the Consultation Paper. Commenters from these regions were, on average, in favor of the Monitoring Group's proposed changes to the standard-setting boards nomination process, the Monitoring Group's proposed combination of the IAASB and IESBA, and the Monitoring Group's proposed changes to the size and composition of the standard-setting boards. Commenters from Europe and the Middle East also generally agreed on a more-focused approach for the standard-

[64] For the purposes of this report, Russia is considered part of Europe; Turkey, Georgia, Azerbaijan, Iran, Iraq, Syria, Lebanon, Israel, Jordan, Saudi Arabia, Kuwait, the UAE, Qatar, Bahrain, Oman, and Yemen are considered part of the Middle East; Pakistan, India, Nepal, Bangladesh and Sri Lanka are considered part of South Asia; and China, Japan, Korea, Myanmar, Laos, Vietnam, Thailand, Cambodia, Malaysia, Singapore, Taiwan, the Philippines and Indonesia are considered part of East Asia.

setting boards and that standard-setting board members should be remunerated. Commenters from these regions also provided the least opposition to Consultation Paper's premise that there is a substantial degree of concern about the current standard-setting process, although these comments were, on average, ambivalent. Commenters from Australia/Oceania, in contrast, expressed the strongest opposition to the Consultation Paper's premise that there is a substantial degree of concern about the current standard-setting process.[65]

28. The Middle East also was the only geographic region that tended to support the characterization of "public interest" put forward in the Consultation Paper, with all other regions either tending to express a neutral or negative view on this element of the paper.[66] The analysis in this report also shows that the Consultation Paper's proposal to make the nomination process more open and independent was strongly opposed by commenters from Africa and South Asia, and favorably received by commenters in Europe, East Asia, and the Middle East.[67]

29. In evaluating the Consultation Paper's proposals regarding size and/or composition of the boards, commenters from South Asia and Africa had by far the most negative views, while commenters from the Middle East tended to receive them most positively.[68] This opposition from South Asia and Africa tended to coincide with concerns that a smaller board would not be able to represent adequately all geographic regions. Commenters from Africa were the only geographic region to oppose the proposed enhanced strategic focus of the boards; all other regions were in favor of a more strategic focus, with South Asia and transnational organizations expressing the most favorable views.[69] Commenters from the Middle East tended to have the most favorable views of the Consultation Paper's proposals regarding standard-setting boards' voting procedures, whereas commenters from Australia/Oceana and South America were least supportive of the proposal.[70]

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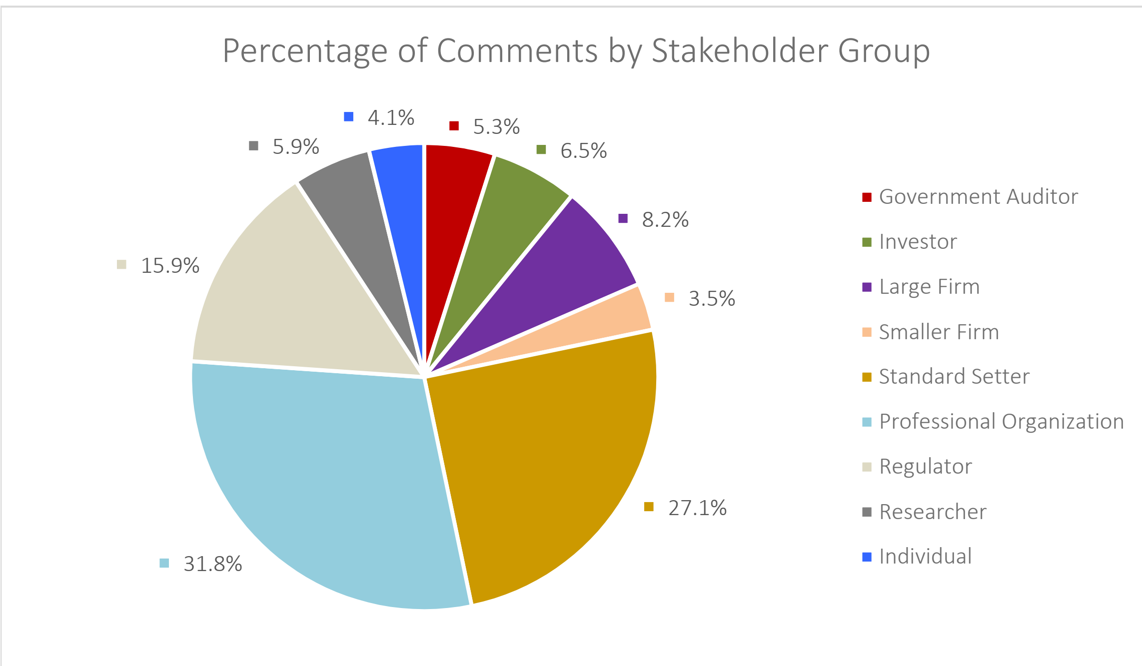
[65] *See* Section III.B.
[66] *See* Section III.C.
[67] *See* Section III.D.
[68] *See* Section III.F.
[69] *See* Section III.G.
[70] *See* Section III.I.

30. With regard to the PIOB proposals, commenters from the Middle East were the most likely to support the proposals regarding the role and composition of the PIOB, while commenters from Australia/Oceania, Africa, South America, and South Asia were the least likely to support the proposals.[71] All geographic regions tended to express negative or neutral views regarding the proposed funding scheme, with South America and Africa having the most negative views.[72]

31. In addition to the varied geographic regions that the commenters represent, the 170 commenters also reflect a diverse range of stakeholders interested in the process used to set international standards related to audits and ethics for accountants. Comments were submitted by investors, large accounting firms, smaller accounting firms, national auditing and accounting standard setters, professional organizations of auditors or accountants, government regulators, government auditors (i.e., public bodies tasked with auditing other governmental agencies and institutions), researchers, and individuals. Professional organizations and standard setters submitted the largest portion of the comments; these stakeholder groups submitted 54 and 46, respectively, of the 170 comments.



[71] *See* Section III.J.
[72] *See* Section III.K.

32. Audit firms, professional organizations, government auditors, standard setters, and researchers expressed the strongest opposition to the Consultation Paper's premise that there is a substantial degree of concern about the current standard-setting process, whereas individuals and investors tended to agree with the Consultation Paper on this issue.[73] With regard to the definition of "public interest" and the as-yet-developed public-interest framework, regulators were the only stakeholder group that did not express a negative or neutral view.[74] The Consultation Paper's proposal to make the nomination process more open and independent was most favorably received by larger firms, and least favorably by smaller firms; the smaller firms' opposition does not appear to be related to their size, but rather simply that they did not believe the existing nomination process needed to be changed.[75]

33. Investors and individuals were the only stakeholder groups that tended to support a combined standard-setting board. Professional organizations, standard setters, government auditors, researchers, smaller firms, larger firms, and regulators all tended to oppose combining the standard-setting boards.[76] With regard to the Consultation Paper's proposed changes to the size and/or composition of the boards, smaller firms and researchers had by far the most negative views, whereas individuals and investors had the most positive views.[77] Meanwhile, investors and large accounting firms expressed the most positive views of the proposed increased strategic focus of the board(s), whereas smaller firms and government auditors expressed the most negative views.[78] Investors were the only stakeholder group to express favorable views of the Consultation Paper's proposals regarding the standard-setting boards' voting procedures; all other stakeholder groups were opposed to the proposal, with smaller firms, larger firms, and professional organizations expressing the strongest opposition.[79]

34. With regard to the PIOB proposals, investors were the most likely to support the proposals regarding the revamped role and composition of the PIOB, with regulators and individuals being the only other stakeholder groups to express positive views; all other stakeholder groups opposed the proposals, with government auditors, larger and smaller firms, professional organizations, and standard setters expressing the strongest opposition.[80] Finally, with regard to the proposed funding scheme, larger firms, professional organizations, and standard setters expressed the

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[73] *See* Section III.B.
[74] *See* Section III.C.
[75] *See* Section III.D.
[76] *See* Section III.E
[77] *See* Section III.F.
[78] *See* Section III.G.
[79] *See* Section III.I.
[80] *See* Section III.J.

highest degree of skepticism, whereas investors tended to view the proposed funding scheme most favorably.[81]

E. Summary of Next Steps

35. With regard to the next steps identified in the submissions, the commenters expressed widespread support for further deliberation, additional opportunities for comment, and/or additional studies before any concrete action is taken with respect to the Monitoring Group's proposals.[82] The vast majority of commenters supported further rounds of comment and engagement with the stakeholders before undertaking significant or major reforms, even if they were generally supportive of the Monitoring Group's proposed reforms.[83] Two of the areas with the most consensus among commenters were (1) that the Monitoring Group should provide more details and clarification on its proposed funding scheme[84] and (2) that the continuing process should focus in particular on developing a clear public-interest framework for evaluating changes to the current standard-setting process.[85]

36. In summary, the overwhelming consensus among the commenters was that the Monitoring Group should carefully consider the implications—including the risks, costs, and benefits—of its proposals, move slowly, and engage with all stakeholders to develop a clear public-interest framework and to use that framework to carefully consider any further changes to the standard-setting process.

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[81] *See* Section III.K.
[82] *See* Section IV.
[83] *See id.*
[84] *See* Section III.K.
[85] *See* Section III.B.

III. Commenters' Views On The Topics Raised By The Consultation Paper

A. Overview

37. As noted earlier, there was a fair degree of consensus among the commenters in support of some of the relatively modest operational changes proposed in the Consultation Paper. For example, the majority of commenters supported the Consultation Paper's suggestions to remunerate board members and to have more strategically focused standard-setting boards. However, the more significant changes proposed in the Consultation Paper—particularly the proposals to have a single standard-setting board for audit standards and ethics standards for auditors, to switch to a simple-majority voting rule, to expand the role of the PIOB, and to change the standard-setting boards' source of funding—drew broad criticism, with a sizable majority of commenters voicing some degree of opposition to these proposals.

38. The significant opposition to the major changes proposed in the Consultation Paper was likely due to the fact that these changes were premised on two broad assertions in the Consultation Paper—that there are major concerns with the current standard-setting process and that there is a workable public-interest framework to evaluate changes to the current process. Commenters expressed a significant amount of concern about these premises. In particular, many commenters emphasized that the current standard-setting process produces standards that have achieved widespread acceptance and are adopted across many different jurisdictions.[86] Many commenters also noted that moving forward with significant changes to the current standard-setting process risks reducing the standards' quality or the rate of their adoption by local jurisdictions.[87] Thus, because a majority of commenters did not share the degree of concern about the current standard-setting process as articulated in the Consultation Paper, they appeared less likely to believe that the

[86] *See, e.g.*, Institute of Cost and Management Accountants of Bangladesh (ICMAB); International Accounting Education Standards Board Consultative Advisory Group (IAESB CAG); Kingston Smith LLP; KPMG; MNP LLP, Canada; Nordic Federation of Public Accountants (NRF); The Institute of Chartered Accountants of Nigeria (ICAN); PwC; Ernst & Young Global Limited.

[87] *See, e.g.*, Association of Certified Chartered Accountants (ACCA); American Institute of Certified Public Accountants (AICPA) and Chartered Institute of Management Accountants (CIMA); Public Interest Oversight Board (PIOB); Public Sector Accounting Board of Canada; RSM International Ltd.; Baker Tilly International; Ernst & Young Global Limited.

major changes recommended in the Consultation Paper reflected a proportionate response to addressing areas where the current standard-setting process could be improved. Indeed, some commenters explicitly noted that it is difficult to know whether the proposed changes are proportionate without a careful comparison of the likely costs and benefits of the Consultation Paper's proposals.[88]

39. The level of disagreement over the fundamental premises for major change to the standard-setting process underscores a sentiment expressed in many comments—as well as the Consultation Paper itself:[89] the Monitoring Group should continue to solicit views from stakeholders in further considering and evaluating possible changes.[90]

B. Perceived Problems With The Current Standard-Setting Process

40. The Monitoring Group's Consultation Paper explains that its recommendations for changes to the current standard-setting process are motivated by certain concerns with the model. Before issuing the Consultation Paper, the Monitoring Group appointed a Working Group that interviewed "29 current and former standard-setters" and "engag[ed] with IFAC, the PIOB and the GPPC" to "identify the key concerns that the reform process should address."[91] The Consultation Paper indicates that this process identified 3 areas of "key concern" within the current system: (1) "a perception of undue influence by the profession"; (2) a concern that this undue influence creates "a risk that standards are not developed fully in the public interest"; and (3) the "relevance and timeliness" of the standards being developed.[92]

41. Although almost every commenter thought the standard-setting process could be incrementally improved or refined in some way, the majority of commenters (97) disagreed with the Consultation Paper's assertion that concerns with the current standard-setting process are of such magnitude

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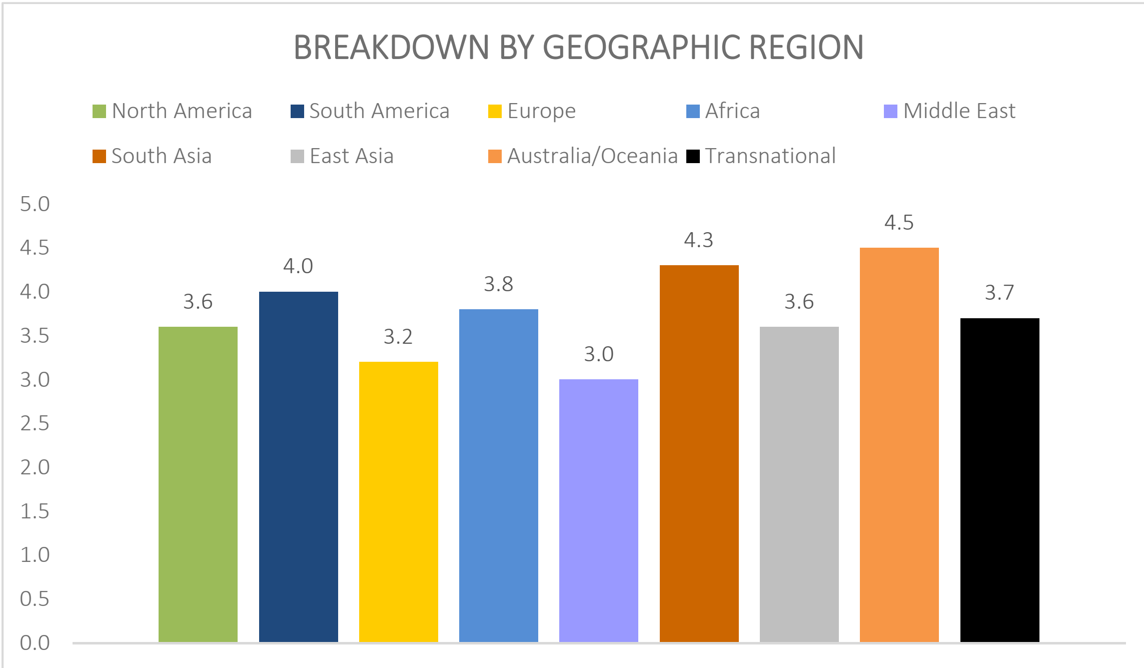
[88] *See, e.g.*, American Institute of Certified Public Accountants (AICPA) and Chartered Institute of Management Accountants (CIMA); Consultative Committee of Accountancy Bodies Limited (CCAB); Accounting Professional & Ethics Standards Board (APESB); Chief Accountant of the Securities and Exchange Commission, U.S.A.
[89] *See* Consultation Paper at 7.
[90] *See, e.g.*, Association of Certified Chartered Accountants (ACCA); American Institute of Certified Public Accountants (AICPA) and Chartered Institute of Management Accountants (CIMA); International Federation of Accountants (IFAC); Public Interest Oversight Board (PIOB); Institute of Indonesia Chartered Accountants (IAI); Ernst & Young Global Limited; Expert Suisse.
[91] Consultation Paper at 8.
[92] *Id.*

that they warrant significant changes to the international standard-setting process. Many of these commenters noted that the current standard-setting process has resulted in standards that are widely respected and widely adopted.[93] By contrast, 51 commenters agreed that the current standard-setting process is in need of significant reform and largely supported the changes proposed in the Consultation Paper. Nineteen commenters did not address the adequacy of the current system, and restricted their comments to the concrete reform proposals and/or specific questions put forth in the Consultation Paper. Three commenters were neutral regarding the adequacy of the current system.

(1) Breakdown By Geographic Region

42. The trend of commenters' opposition to the degree of concern the Consultation Paper expressed with the current standard-setting process and the notion that wholesale reform to the current standard-setting process is needed was generally consistent across the different geographic regions. But the strongest opposition came from commenters in Australia/Oceania, with an average score of 4.5, and the least degree of opposition came from commenters in the Middle East, with an average score of 3.0.

[93] *See, e.g.*, Institute of Cost and Management Accountants of Bangladesh (ICMAB); International Accounting Education Standards Board Consultative Advisory Group (IAESB CAG); Kingston Smith LLP; KPMG; MNP LLP, Canada; Nordic Federation of Public Accountants (NRF); The Institute of Chartered Accountants of Nigeria (ICAN).

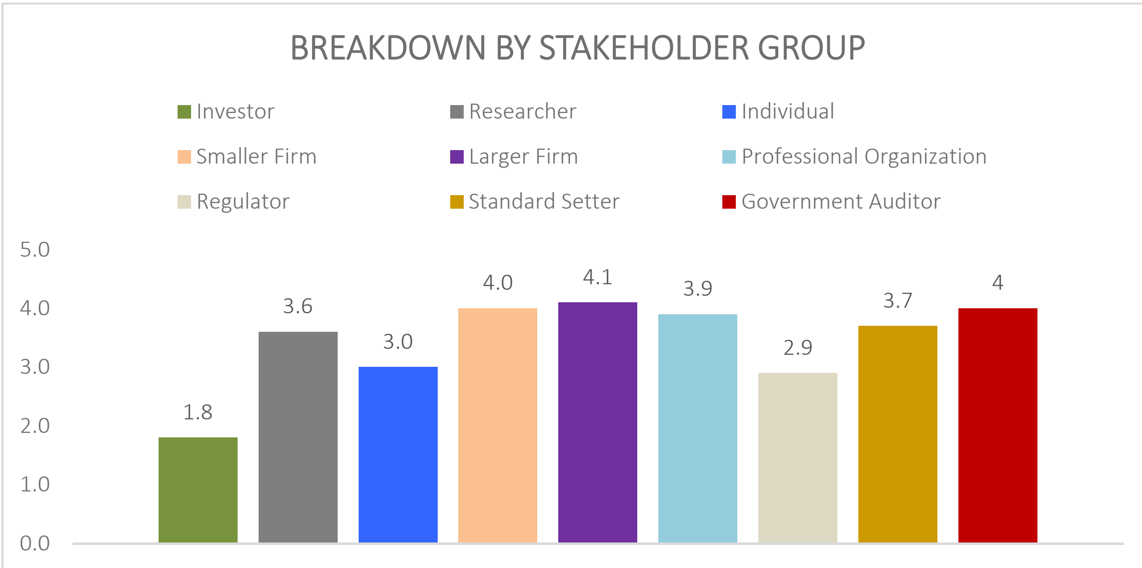


○ 5 (disagreed without qualification that there are concerns of such magnitude to warrant significant changes to the current standard-setting process)
○ 4 (disagreed, but with qualifications, that there are concerns of such magnitude to warrant significant changes to the current standard-setting process)
○ 3 (was ambivalent with respect to whether there are concerns of such magnitude to warrant significant changes to the current standard-setting process)
○ 2 (agreed, but with qualifications, that there are concerns of such magnitude to warrant significant changes to the current standard-setting process)
○ 1 (agreed without qualification that there are concerns of such magnitude to warrant significant changes to the current standard-setting process)

(2) Breakdown By Stakeholder Group

43. Unlike the trends observed in the geographic regions, there was significant variation among stakeholder groups regarding the level of agreement or disagreement with the Consultation Paper's concerns about the current standard-setting process. Individuals and regulators generally tended to agree with the Consultation Paper in this topic area. On the other hand audit firms, professional organizations, government auditors, standard setters, and researchers tended to express the view that the current standard-setting process works well and produces widely adopted and high-quality standards. The

table below breaks down the average score by stakeholder.[94] Among all commenters, the overall average score was 3.5, which again indicates the general weight of the comments was somewhat against the Consultation Paper's assertions regarding the stated concerns with the current standard-setting process.



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○ 1 (agreed without qualification that there are concerns of such magnitude to warrant significant changes to the current standard-setting process)

(3) Comments That Disagreed With The Degree Of The Consultation Paper's Concerns With The Current Standard-Setting Process

44. The commenters that disagreed with the Consultation Paper's premise and supported only minor changes to the existing framework typically gave 3 primary justifications for their position. *First*, many commenters pointed out that the standards developed under the current standard-setting

[94] If a particular commenter fulfilled the criteria of two stakeholder groups (e.g., the commenter serves as both a regulator and standard-setter), it was counted in each stakeholder group.

process have gained, or are gaining, widespread acceptance. These commenters observed that the widespread and growing acceptance of the standards developed and published under the current framework suggests that the current process "produces standards of high quality, which are generally accepted and recognized by the regulators,"[95] and creates "a concern that changes could impact on the international adoption of standards and could lead to fragmentation both on a geographical basis and between different types of company."[96] *Second*, many commenters noted that while the Consultation Paper addresses the "perception of undue influence" by the accounting profession, there is "no evidence that the extant standards have not been developed fully in the Public interest."[97] *Third*, many commenters said that the Consultation Paper did not introduce evidence to support the proposition that there may be a perception of undue influence by the accounting profession. That is, "the Consultation Paper does not set out any empirical or actual

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[95] Expert Suisse at 1; *see also, e.g.*, Comité de Integración Latino Europa - América (CILEA) at 2 ("Our organizations first want to reaffirm the high quality of the standards produced so far by the IAASB and IESBA. Such high quality is recognized by the MG and demonstrated by the fact that the ISAs have been adopted in 125 countries in the world, as well as by large international organizations, such as INTOSAI, the World Bank, the IMF . . . . There is therefore no evidence that the extant standards have not been developed fully in the Public interest."); Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE) at 2 ("The Argentine Federation of Professional Councils in Economic Sciences would like to reassert the quality of the standards produced so far by IAASB and IESBA. Said quality is recognized by the Monitoring Group and evidenced in the fact that the NIAs have been adopted in more than 125 countries worldwide. Therefore, in our view, there is no evidence that the existing standards have not been developed completely in the public interest. They remain to be an appropriate landmark for audit quality."); Association of Accountancy Bodies in West Africa (ABWA) at 1 ("The current arrangement enjoys tremendous stakeholder confidence, resulting in adoption of the international standards in majority of jurisdictions covering all continents of the world.").

[96] Kreston International.

[97] Fédération des Experts Comptables Méditerranéens (FCM); *see also, e.g.*, Institute of Chartered Accountants of Scotland (ICAS) at 6 ("We would agree that there is a perception issue that the accountancy profession could have undue influence over the standard setting process, however we do not believe this to have been an actual issue in reality."); Zambia Institute of Chartered Accountants (ZICA) at 2 ("While the concerns by the MG is noted, ZICA is of the opinion that a perception of undue influence by IFAC may exist, in reality the influence of the accountancy profession is clearly monitored through a framework of clear and balanced independent public interest oversight."); Compagnie Nationale Des Commissaires Aux Comptes and Conseil Superieur De L'Ordre Des Experts-Comptables of France - joint responses at 3 ("There is therefore no evidence that the extant standards have not been developed fully in the Public interest. They remain an appropriate benchmark for audit quality."); CA ANZ and ACCA (joint submission) at 1 ("Our markets do not have a concern in relation to the robustness of the existing due process. We have seen no evidence that there is an adverse effect on financial markets' participants confidence in the standards - specifically from those charged with governance or investors – due the current structures. We have seen no evidence that standards are not being set in the public interest."); Auditing and Assurance Standards Board of Australia (AUASB) at 2 ("[T]here is no evidence, or observed instances, that support the MG's key concerns that standards have been subject to undue influence by the profession or are not developed in the public interest at the international level.").

evidence on links between the current governance structure and perceived deficiencies in the current standards,"[98] relying on conjecture and 29 unreleased interviews to support its assertion that stakeholders are concerned with the perception of undue influence by the profession. The Global Accounting Alliance, a transnational alliance of 10 leading professional accountancy bodies in significant capital markets representing close to 1,000,000 members worldwide, noted in its comment letter that:

> The Consultation Paper makes comments about expressed concerns, but provides no evidence that ISAs or the ethics standards have failed. Comments have been made, particularly from the Monitoring Group at the recent Roundtable meetings, that they have confidence in the current standards. One Monitoring Group representative did however suggest that some standards were "wanting". No evidence in support was provided. One also stated that some standards were not responsive to the public interest. No evidence in support was provided. It has also been suggested that the auditing standards do not facilitate appropriate action to be taken against errant auditors. No evidence in support has been provided. If evidence of such shortcomings exists it needs to be produced. The current faults need to be identified before one can look for solutions.

45. Notably, the PIOB disagreed with the Monitoring Group on the need for radical change to the current standard-setting system. The PIOB commented that while "undue influence by the profession on the audit and ethical standard setting system needs to be addressed, it is concerned that major changes to a reasonably well-functioning system exposes the global financial reporting system to substantial risks."[99] Accordingly, "[t]he PIOB does not believe that there is a problem with the quality of the standards developed today."[100]

(4) Comments That Agreed With The Degree Of The Consultation Paper's Concerns With The Current Standard-Setting Process

46. A number of observations can be drawn in relation to the stakeholders that agreed with the Monitoring Group that the current framework is flawed and needs significant changes. Half (23 of 46) of these commenters are based in Europe. Also, investor groups represented the stakeholder base that was most likely to find significant fault with the current system: 10 of the 13 investors who submitted comment letters agreed with the Monitoring Group that the current standard-setting system is in need of major reforms. The European Investors Association and Vereniging van

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[98] Accounting Professional & Ethical Standards Board (APESB) at 6.
[99] Public Interest Oversight Board (PIOB) at 2.
[100] *Id.*

Effectenbezitters, Netherlands,[101] were notably eager for the standard-setting process to be overhauled, writing that they were "particularly concerned about the lack of urgency in addressing legitimacy and credibility of the audit profession," and that "[t]he audit profession is in no position to put off this adaptation any longer."[102] Indeed, European Investors suggested that "the current reform process risks distracting from this key concern," warning that "[o]veranalyses leads to paralysis."[103] In contrast, other commenters who supported broad reform also urged careful consideration in moving forward with such changes.[104]

C. The Consultation Paper's Public-Interest Framework

47. Commenters were in broad agreement with the general principle that the public interest should be taken into account in formulating standards. However, many commenters who discussed this principle in detail noted that the Consultation Paper had failed to adequately define "public interest." Of the comments submitted, 126 explicitly discussed the definition of "public interest"

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[101] The European Investors Association (European Investors) is an advocacy group representing "retail investors all over Europe." *See* https://europeaninvestors.eu/?page_id=51. Vereniging van Effectenbezitters, Netherlands is the "[m]ain advocate for Dutch investors." *See* https://www.veb.net/over-de-veb-menu/about-the-veb.

[102] European Investors and Vereniging van Effectenbezitters, Netherlands.

[103] *Id.*

[104] *See, e.g.*, International Forum of Independent Audit Regulators (IFIAR) at 1 ("IFIAR supports the MG's commitment to the next phase in the initiative that involves further analysis of potential and specific proposals, including those addressing options for funding the proposed reforms, an impact assessment and a comprehensive transition plan. This clearly will be a complicated project and it will be imperative that the MG takes the necessary time to work through sufficient detail so it obtains reasonable assurance it has 'got it right', whilst balancing the need to maintain momentum given the accelerating need for change.").

in the Monitoring Group's Consultation Paper.[105] For this report, these 126 comments were assigned a score from 1 to 5, with 1 representing strong support for the Consultation Paper's definition of "public interest," and 5 representing either strong disagreement with the definition provided or criticism of what the commenter viewed to be the perceived absence of a definition. Of these 121 comments, 16 were scored a 1; 35 were scored a 2; 0 were scored a 3; 38 were scored a 4; and 37 were scored a 5. Thus, 75 commenters expressed some or strong disagreement with the Consultation Paper's as-yet-developed public interest framework (or expressed criticism with the absence of a definition) compared with 51 commenters who expressed support for this framework. The average score of the 121 comments was 3.6, suggesting that although the commenters were fairly evenly divided on this topic area, on balance the comments were critical of the public-interest concepts discussed in the Consultation Paper.

(1) Breakdown By Geographic Region

48. Seventy-five of 126 comments expressed the view that public interest had not been adequately defined, with little variation by geographic region. One exception was the Middle East, with an average of 2.2 (representing the strongest support that the definition of public interest provided in the Consultation Paper was adequate), although the 5 comments submitted from the Middle East region generally addressed this topic area without an extended discussion.[106]

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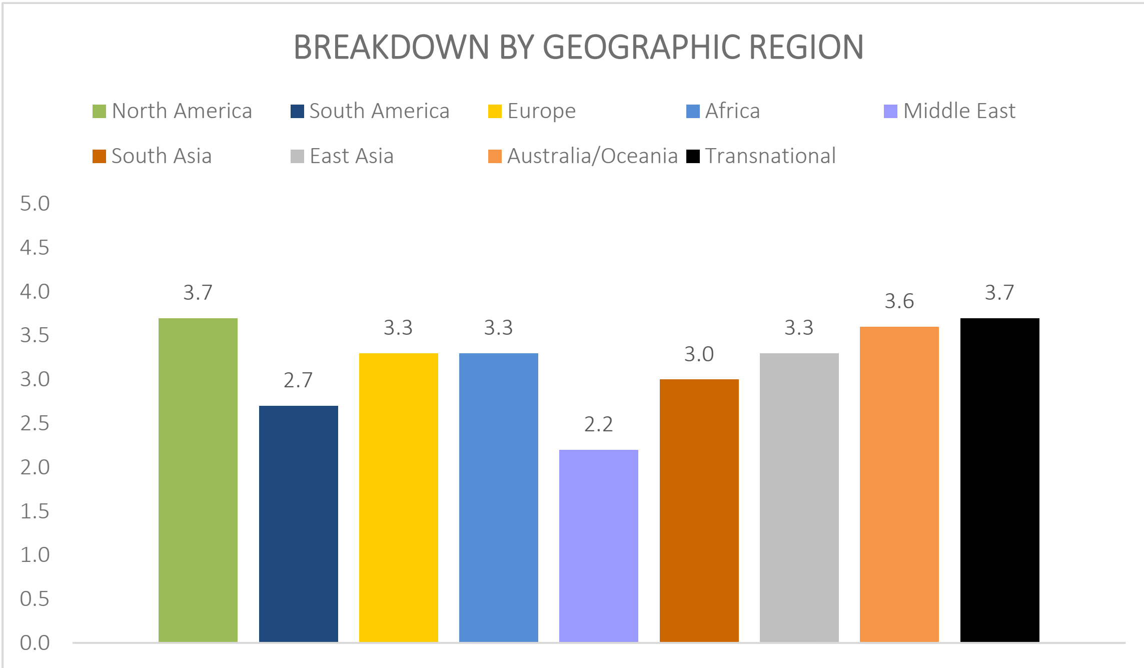
[105] The remaining comments were excluded as they did not contain any discussion on the definition of "public interest."

[106] *See* Abu Dhabi Accountability Authority (ADDA); Capital Markets Authority of Kuwait; Securities and Commodities Authority of the United Arab Emirates; Union of Chambers of Certified Public Accountants of Turkey (TURMOB); and Sia Management Consulting, Dubai.



- 5 (disagreed without qualification with the Consultation Paper's public-interest framework)
- 4 (disagreed, but with qualifications, with the Consultation Paper's public-interest framework)
- 3 (was ambivalent with respect to the Consultation Paper's public-interest framework)
- 2 (agreed, but with qualifications, with the Consultation Paper's public-interest framework)
- 1 (agreed without qualification with the Consultation Paper's public-interest framework)

(2) Breakdown By Stakeholder Group

49. Stakeholder groups generally found that the definition of "public interest" was vague. Large accounting firms tended to believe the definition was too vague, as did professional organizations and individual practitioners. Similarly, government auditors had fairly negative views of the proposed framework. On the other hand, regulators tended to have the most positive view of the Consultation Paper's discussion about the public interest. The table below breaks down the average score by stakeholder.[107]

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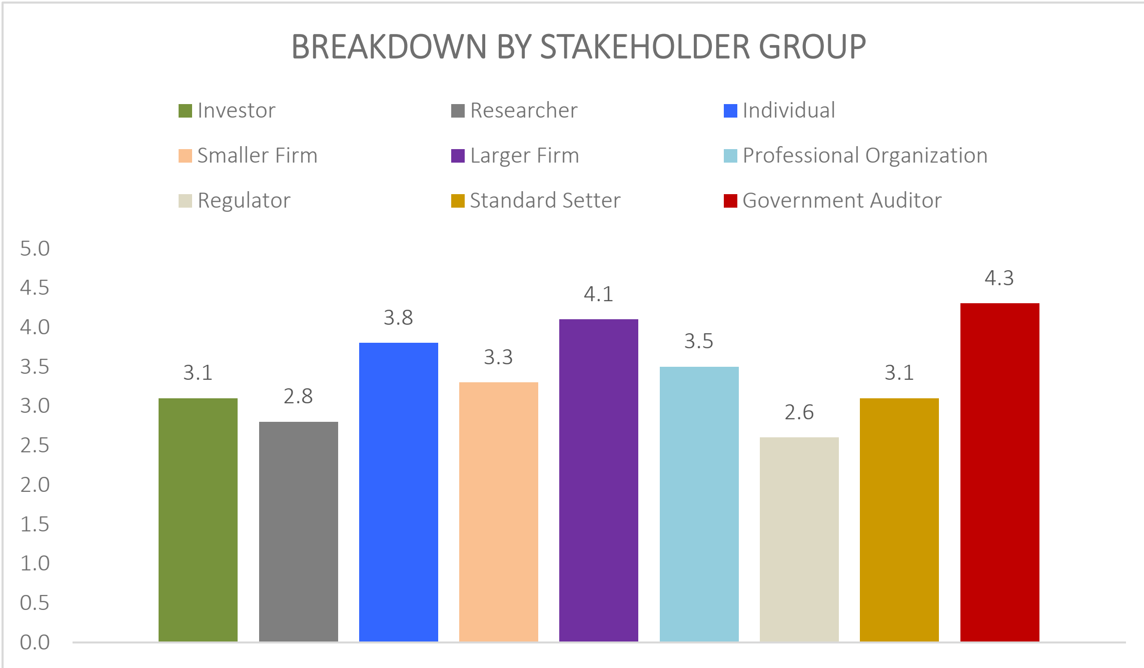
[107] As with previous sections, if a particular commenter fulfilled the criteria of two stakeholder groups (e.g., the commenter serves as both a regulator and standard-setter), it was counted in each stakeholder group. For stakeholder groups who submitted very few comments on this topic, we have less confidence that the averages are representative of the broader group. There were a limited number of comments submitted for this topic by: individuals (4); smaller firms (4); and researchers (5).



- 5 (disagreed without qualification with the Consultation Paper's public-interest framework)
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- 2 (agreed, but with qualifications, with the Consultation Paper's public-interest framework)
- 1 (agreed without qualification with the Consultation Paper's public-interest framework)

(3) Comments That Agreed With The Consultation Paper's Proposed Principles For A Public Interest Framework

50. Of the comment letters that agreed with the Monitoring Group's proposed public interest framework, many simply stated that they agreed with the Consultation Paper's principles and/or the idea that standard setting should be in the public interest.[108] Some expanded on the

[108] *See, e.g.*, Abu Dhabi Accountability Authority (ADDA) at 1; Capital Markets Authority of Kuwait at 1; Committee of European Audit Oversight Bodies (CEAOB) at 2; European Securities and Markets Authority (ESMA) at 1; Federal Audit Oversight Authority, Switzerland (FAOA) at 1; Institute of Cost and Management Accountants of Bangladesh (ICMAB) at 2; Instituto Nacional de Contadores Publicos, Colombia (INCP) at 3; International Auditing and Assurance Standards Board (IAASB) at 5; Mr. Nick Hasyudeen at 1.

importance of ensuring the primacy of the public interest, urging that it "be used throughout the standard setting process to assess how effectively standard setting serves the public interest."[109]

51. Some commenters who supported the Consultation Paper's overarching principles for a public interest framework suggested additional principles to be considered. For example, the Auditing and Assurance Standards Board of Australia (AUASB) recommended adding "consensus of constituents and board members."[110] The Auditor Oversight Body of Germany suggested "the principle of 'feasability' as maybe not everything that is of public interest is feasible or realizable. And in case any future standard includes a requirement that is not really feasibl[e] this would create an expectation gap."[111] Chartered Accountants Ireland also recommended that the Monitoring Group consider "how well the proposed reformed standard setting process will be able to adapt to future developments in audit to continue to meet its 'public interest' remit."[112] The Independent Regulatory Board for Auditors, South Africa (IRBA) suggested adding "integrity and transparency, which go hand-in-hand with independence," as well as "consider[ing]" the principles of practicality and scalability.[113] The Union of Chambers of Certified Public Accountants of Turkey (TURMOB) also supported including integrity as a principle.[114] The Institute of Chartered Accountants of Scotland (ICAS) suggested the principles of balanced membership and legitimacy, the latter of which they preferred over credibility, "as we believe this asserts greater authority for the modus operandi of the standard setter."[115] Another commenter suggested adding the principles of due process, balanced representation, relevance, and sustainability.[116] Aberdeen

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[109] Financial Reporting Council, UK at 3 ("[T]he public interest is *fundamental* to standard setting, and we strongly agree that the public interest as articulated should be used throughout the standard setting process to assess how effectively standard setting serves the public interest." (emphasis in original)); *see also* Instituut van de Bedrijfsrevisoren. Institut des Réviseurs d'Entreprises, Belgium at 2 ("IBR-IBE fully supports the view that legitimacy and public confidence in the profession are protected amongst others by adhering to democratic principles as a public interest criterion. IBR-IRE agrees with the principles articulated for standard-setting such as independence, credibility, cost effectiveness, relevance, transparency and accountability."); Securities and Commodities Authority of the United Arab Emirates at 1 (proposing that "emphasis . . . be given to possibility of accomplishment of compliance with the proposed standard").

[110] Auditing and Assurance Standards Board of Australia (AUASB) at 7.

[111] Auditor Oversight Body, Germany (AOB) at 3; *see also* National Association of State Boards of Accountancy (NASBA) at 2 (suggesting adaptability and practicability).

[112] Chartered Accountants Ireland at 3.

[113] Independent Regulatory Board for Auditors, South Africa (IRBA) at 3.

[114] Union of Chambers of Certified Public Accountants of Turkey (TURMOB) at 2.

[115] Institute of Chartered Accountants of Scotland (ICAS) at 7.

[116] KPMG at 5–6.

Standard suggested an explicit "*Quality* supporting principle, that the standards developed need to be of the highest quality."[117]

52. In addition, commenters proposed that the principles used in the as-yet-developed "public interest" framework discussed in the Consultation Paper should be expanded. For example, Chartered Accountants Ireland stated, "We consider that acting in the public interest should certainly be drawn wider than regulatory concerns with regard to financial markets and investor interest in the audit of the financial statements of public interest entities."[118] Relatedly, another commenter suggested that the principles, including public interest, be expanded to consider the views of additional members of the public, such as "lenders, shareholders of private entities and other parties in the supply chain," to further "broaden[] the principles to result in standards to serve the needs of all users."[119] Others stressed the importance of considering particular segments of the public, for example, the interests of small and medium-sized enterprises ("SMEs").[120]

(4) Comments That Raised Concerns About The Public Interest Framework

53. The most common concern expressed about the as-yet-developed public-interest framework was that the Consultation Paper did not define with sufficient granularity the meaning of "public interest." For example, one commenter expressed its view that "[t]he Consultation Paper neither addresses the meaning of, nor explores the concept of, the public interest. This is fundamental to any proposed changes to the current process and consensus on the meaning of public interest is vital."[121] Another commenter stated

[117] Aberdeen Standard at 2 (emphasis in original).
[118] Chartered Accountants Ireland at 3; *see also* CA ANZ and ACCA at 7 ("We agree that standards must be set in the public interest as the role of the audit of financial statements is to provide an independent opinion to the users of the financial statements. In the capital markets, those users are investors.").
[119] Crowe Horwath International at 3.
[120] *See, e.g.*, European Federation of Accountants and Auditors for SMEs (EFAA) at 2; Instituut van de Accountants en de Belastingconsulenten. Institut des Experts-comptables et des Conseils Fiscaux, Belgium (IAB-IEC) at 2–3; Expert Suisse at 2–3; *cf.* European Group of International Accounting Networks and Associations (EGIAN) ¶ 5 (noting that it supported the overarching and supporting principles, but "would add that the public interest should be defined in the context of audit and ethical standard setting. We believe that public interest has to be applied in the context of setting standards for global application in audit and assurance engagements that cover all sectors including PIEs, SMEs, non-governmental organisations and the public sector.").
[121] Grant Thornton International Ltd at 2; *see also* Government Accountability Office, U.S.A. (GAO) at 4 ("[W]e believe that the review of the current standard-setting model could benefit from further clarifying and developing the definition of the 'public interest' and the public interest framework."); The Malaysian Institute of Certified Public Accountants at 2 ("[T]he definition of public interest and the formulation of an

that "the public interest is not a defined term and evolves as public expectations change," and "[t]herefore, it is difficult to see how it can be independently evaluated other than through assessing stakeholder confidence in the model and its operations and the standards themselves – which we envisage as a key role of a reformed governing body acting as trustees of the standard setting model."[122]

54. Commenters also noted that it was difficult to evaluate the definition of public interest without the publication of the public interest framework. For example, the External Reporting Board, New Zealand (XRB) wrote, "The MG expects the public interest framework which the PIOB is developing to be 'at the heart' of the reforms. However, it is not clear how public interest will be defined, who the stakeholders are, what the framework will look like, how it will work or how it will be different from the current assessment of public interest."[123] Commenters expressed concern that the percieved lack of a definition made it difficult to assess whether the proposals were in fact serving the public interest.[124] Another commenter noted that it had no disagreement with the principles in concept, but did "have concerns about how at least some of these principles may be interpreted in practice."[125]

55. One organization offered its own experience defining the "public interest" to assist the Monitoring Group's development of its own definition. The Auditing and Assurance Standards Oversight Council of Canada (AASOC) explained that at a recent debate, their organization had concluded that in determining whether a particular activity was in the public interest, a "'stand back' assessment" should be made by asking whether any new or amended standard is "'developed in accordance with due process and with proper

appropriate public interest framework must be a key priority for the Monitoring Group as these will serve as a reference and benchmark to evaluate and frame any reform or improvement efforts.").

[122] PwC at 8.

[123] External Reporting Board, New Zealand (XRB) at 4.

[124] Financial Reporting Council, Australia (FRC) at 2 (stating that it was "unfortunate [the public interest framework] was not available at the time the proposals were provided as it would facilitate a more comprehensive assessment of how public interest will be protected and serve as an appropriate benchmark to review the proposals"); MNP LLP, Canada at 1 ("Without a well-articulated definition, it is difficult to assess whether or not the public interest is currently being met. It is also difficult to assess whether the proposals will further the public interest.").

[125] Kingston Smith LLP at 3; *see also* European Banking Authority (EBA) at 2 ("Public interest is an abstract concept the fulfillment of which is difficult to assess. Furthermore, unless the concept of public interest is understood, it will be difficult to ensure it is properly represented in the development of standards and all board members act in the public interest. That is why the EBA stresses the need to further specify the concept of public interest by explaining how public interest is best served in practical terms, in relation to both the due process and the content of the standard themselves, and by characterizing situations of breach of public interest and what action can be taken and by whom.").

regard for the public interest,'" which requires that "any issues that AASOC identifies as running counter to the public interest [] be identified during the course of the process and dealt with by timely interaction."[126]

56. Other commenters provided more detailed suggestions and concerns regarding the public-interest framework. The Comité de Integración Latino Europa - América (CILEA), for instance, suggested that the public interest would be "best served" by (i) "a transparent and effective due process that includes periodic public consultations about the agenda of the Board(s), that makes the best use of advisory groups, and that follows rigorous processes in developing preliminary discussions, scoping the projects, assessing feasibility and time frames for the conduct of each project selected for active work"; (ii) "clear separation of duties between those who set the standards and those who design the standard setting processes and oversee the compliance with approved processes (the Governance level)"; (iii) an independent standard-setting board that was "exempt from undue influence from any stakeholder group"; (iv) "[a] balanced, multi stakeholders' representation, both at the level of the standard setting Board and at the level of the Governance"; and (v) "appropriate and sustainable multi stakeholders funding."[127]

57. Some groups were focused on the processes to reach the public interest, while others cautioned that the public interest was a concept in itself that extends beyond particular processes.[128]

58. One commenter noted a particular concern with the Consultation Paper's "proposition that certain stakeholder groups are considered to have 'the greatest concern about and commitment to the public interest in a particular area.' We believe the public interest is brought to bear through a fair and balanced due process that is designed to ensure that all relevant stakeholder views are heard and considered."[129] Similarly, another

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[126] Auditing and Assurance Standards Oversight Council, Canada (AASOC) at 6.

[127] Comité de Integración Latino Europa - América (CILEA) at 2. The joint submission by Compagnie Nationale Des Commissaires Aux Comptes and Conseil Superieur De L'Ordre Des Experts-Comptables of France, and the submission by Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE) included identical or near-identical language.

[128] *Compare* Chartered Institute of Public Finance and Accountancy (CIPFA) at 4 ("The document also seems to suggest that the public interest itself equates to a process. While process is important, it is a means to an end, not an end in itself."), *with* International Organization of Supreme Audit Institutions (INTOSAI) at 2 ("[W]e recommend a further strengthening of the processes of safeguarding the public interest. Being explicit about specific critical process steps in protecting, expressing and testing public interest should remain a chief consideration.").

[129] PwC at 9.

commenter noted several disagreements with the assumptions underpinning the Consultation Paper's concept of public interest, for example, that "only regulators can act in the public interest; the current standard-setting model does not fully satisfy a number of the principles outlined in the CP; and that acting in the public interest requires standards to be developed that not all stakeholders will agree with."[130] The Accountants Association Poland similarly stated that the premise that "only regulators can act in the public interest" was "controversial and pose[s] a threat . . . of politicization of the process of setting the standards of professional ethics and auditing and a drastic conceptual change toward rule-based standards."[131]

59. Another theme of the comments in this topic area was that the public-interest definition implied in the Consultation Paper did not consider all audiences or stakeholders. For example, the Chartered Institute of Public Finance and Accountancy (CIPFA) noted that the failure to define public interest was a "serious flaw," and that "discussion of the public interest within the document is focused on the interests of investors and investment regulators," but "[a] consultation conducted in the public interest needs to bring in all sectors of the economy, not just listed companies and other so-called public interest entities."[132] Meanwhile, the Fédération des Experts Comptables Méditerranées (FCM) expressed concern that SMEs had not been sufficiently considered in developing the public interest: "If the standards were to become more rules based, more complex and directed primarily at the audit of listed entities or PIEs some countries of our constituencies could get trapped into a situation where they have no choice but to adopt international standards which are not suited for their economies."[133] Similarly, HLB international noted that the Monitoring Group "should be looking at all entities subject to audit and all stakeholder groups," but instead the Consultation Paper "appears to be focusing on PIEs when in reality the vast majority of entities making up the economies of many jurisdictions are of small and medium size."[134]

60. Other commenters indicated that the failure to provide a clear definition of the public interest that included investor protection could have detrimental consequences on capital markets. According to the Center for Capital Markets Competitiveness, "To move forward without identifying and discussing the problem or defining the public interest is fraught with potential harm to the capital markets, capital formation, and investors. For

[130] International Federation of Accountants (IFAC) at 3, 25.
[131] Accountants Association Poland at 2.
[132] Chartered Institute of Public Finance and Accountancy (CIPFA) at 4.
[133] Fédération des Experts Comptables Méditerranéens (FCM) at 3; *see also* Kreston International at 2 ("When considering the framework the vital role of SMEs in economic activity must be reflected.").
[134] HLB International at 3.

example, it is not clear whether the public interest includes investor protection and capital formation. If it does not, this may have adverse consequences for financial reporting certainty and the flow of decision-useful information."[135] The Council of Institutional Investors, U.S.A. also expressed its view that the Consultation Paper's definition of public interest did not appear to include investor protection, and they strongly opposed the language in footnote 3 of the Consultation Paper which, in their view, "appears to suggest that the 'public interest' may diverge from the needs of investors with respect to international audit-related standard-setting in order to satisfy 'safety and soundness considerations.'"[136]

61. Two commenters stated that the Consultation Paper's proposed principles contradicted the current understanding of an audit's purpose. One commenter encouraged that a public interest framework be put forth given "the potential for fundamental differences of view about the appropriate public interest framework for audit standard-setting."[137] As an example, this commenter noted that the Consultation Paper stated "that the output of an audit should be described as 'appropriately communicating the auditor's key findings and conclusions to those charged with governance and where necessary regulatory authorities' alone," and that, in this commenter's view, "[w]hile those communications are important, the primary objective of an audit is the auditor's opinion and report to shareholders and/or other identified users of the financial statements."[138] Another commenter similarly stated that "several of [the objectives and factors on pages 4 and 5 of the Consultation Paper] are inconsistent with the scope and purpose of the audit under the current standards, which is to opine on the fair presentation of the financial statements in accordance with the applicable financial reporting framework."[139]

* * *

62. The following 8 sub-sections focus on the topic areas related to the 8 most significant proposed changes in the Consultation Paper. Notably, some commenters provided in-depth discussions of some of these specific proposals, even though their overall comment indicated a belief that the current system was not broken or in need of significant change.

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[135] Center for Capital Markets Competitiveness (CCMC) at 2.
[136] Council of Institutional Investors, U.S.A. at 5.
[137] PwC at 10.
[138] *Id.*
[139] Ernst & Young Global Limited at 8.

D. The Level Of Standard-Setting Boards' Independence From The Profession

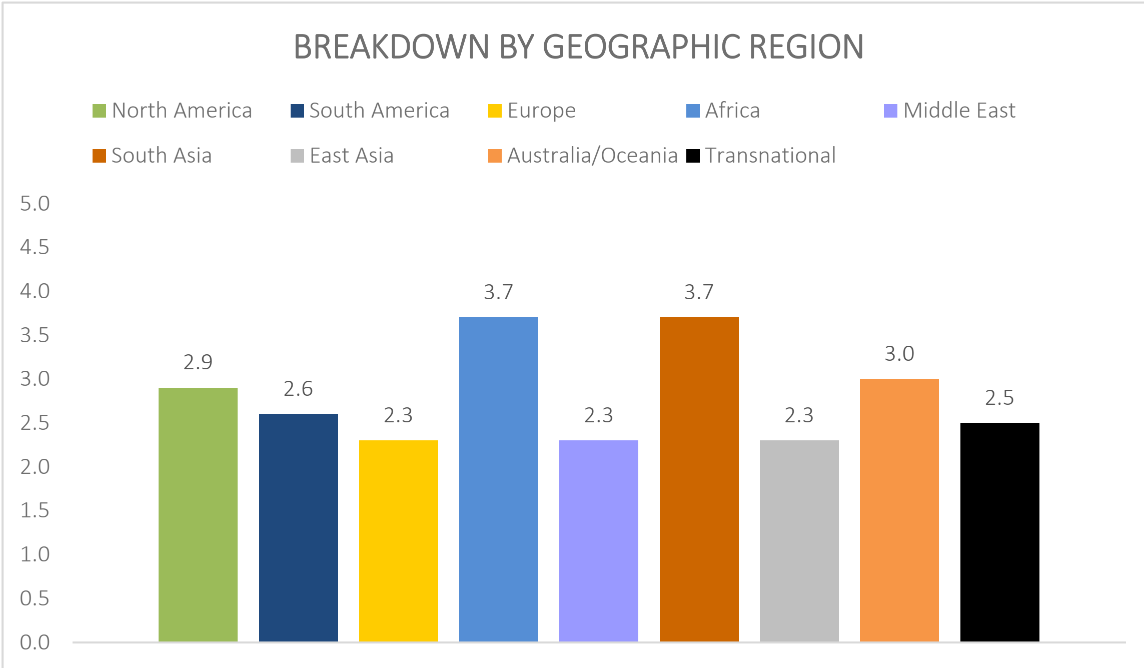
63. Two distinct topics rose to the surface in the commenters' responses to the Monitoring Group's proposed changes to the nomination process for the standard-setting boards: First, the proposal that the nominating process should be more open and insulated from undue stakeholder influence by a new, multi-stakeholder governing body. Second, the Monitoring Group's proposal that the revamped PIOB serve as that new governing body. There was far more support for the former proposal than the latter. The responses to these two proposals are summarized below.

64. On balance, commenters supported a move towards a more open, independent nominating process with 54 commenters expressing strong support for the idea, 32 commenters expressing qualified support, and 50 commenters expressing a desire to maintain the status quo.

(1) Breakdown By Geographic Region (Open and Independent)

65. By far, the greatest opposition to the Consultation Paper's proposal to make the nominations process more open and independent came from commenters in Africa and South Asia, with average scores of 3.7. The proposals regarding increased openness and an independent nominating committee were received most favorably in Europe, East Asia, and the Middle East, with average scores of 2.3. Only one of the comments from Africa or South Asia indicated that geographical concerns played a major role in their opposition to changes in the board nominating process. The African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E) stated that it would "only be comfortable with these changes if the PIOB includes greater representation from the developing world and the public sector."[140] The remainder of the comments from Africa and South Asia were concise in their expressions of support for the current nominations process.[141]

[140] AFROSAI-E ¶ 14.
[141] *See, e.g.*, The Institute of Chartered Accountants of Nigeria (ICAN) at 3 ("The current process whereby standard-setting board members are appointed by IFAC on the recommendation of its Nominating Committee and with the approval of the PIOB and vacancies on the independent standard-setting boards filled through an open call for nominations is robust."); Institute of Cost and Management Accountants of Bangladesh (ICMAB) at 4 ("We don't find any problem with existing nomination process.").



- 5 (disagreed without qualification that the current standard-setting process should be more independent from the accounting profession and that the PIOB, rather than IFAC, should manage the nominations process for the standard-setting boards)
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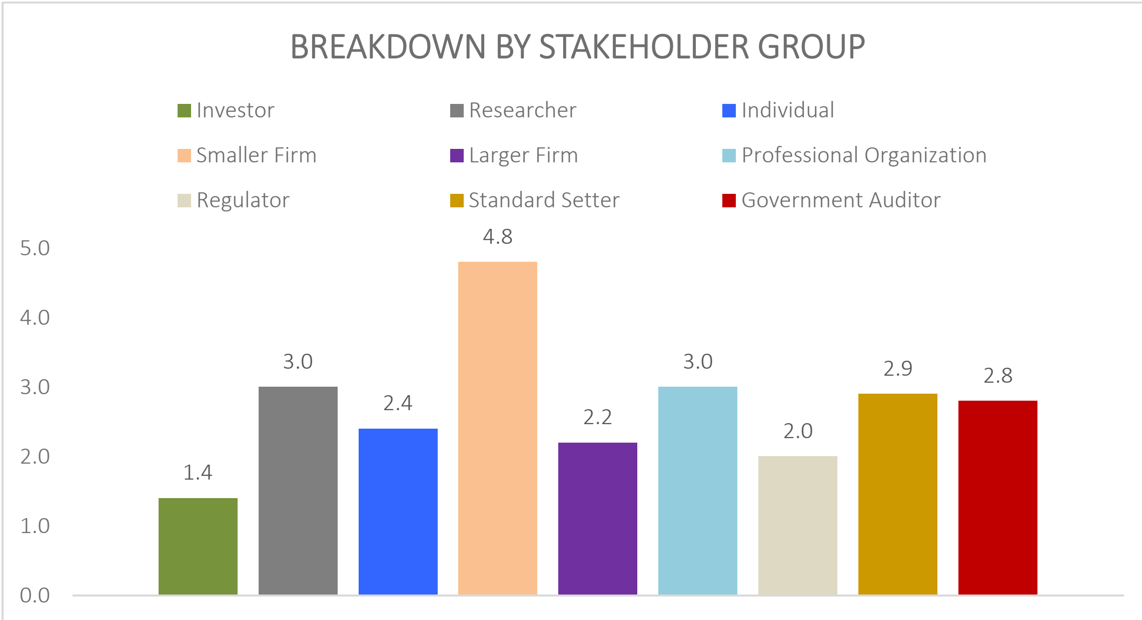
(2) Breakdown By Stakeholder Group (Open and Independent)

66. The most notable trend to emerge from analyzing the comment letters' positions on this issue by stakeholder group was the strong opposition to any departure from the current nomination process among smaller accounting firms. This opposition to change does not appear to be related to anything unique about the situation of small firms. Rather, it simply appears that the smaller firms

who commented "s[aw] no reason to change the existing nomination process."[142] Investors and regulators expressed support for the Consultation Paper's proposed changes to the nomination process and, interestingly, so did the larger firm stakeholder group. The table below breaks down the average score by stakeholder.[143]

[142] HW Fisher & Company at 6.
[143] As with previous sections, if a particular commenter fulfilled the criteria of two stakeholder groups (e.g., the commenter serves as both a regulator and standard-setter), it was counted in each stakeholder group.



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(3) Positions On IFAC Supervision

67. The comment letters in favor of eliminating IFAC supervision of the nominating process tended to express the view that “remov[ing] the IFAC from the nomination process” was an extremely effective prophylactic against “undue influence [or the appearance of undue influence] from the auditing and accounting professions.”[144] Interestingly, many endorsed a move towards a more open, independent standard-setting nomination process even though they did not believe there are

[144] European Banking Authority (EBA) at 8.

serious flaws in the current standard-setting process. In fact, 36 commenters supported the idea of having a more open nomination process controlled by an independent body while disagreeing with the Consultation Paper's premise that concerns with the current standard-setting process were sufficiently severe to require significant changes to the international standard-setting process.[145]

68. The comment letters opposing any change to the status quo tended to state that the current system is functioning well and the commenters therefore saw no need to change it.[146] HW Fisher & Company's letter was representative, simply stating "[w]e see no reason to change the existing nomination process."[147]

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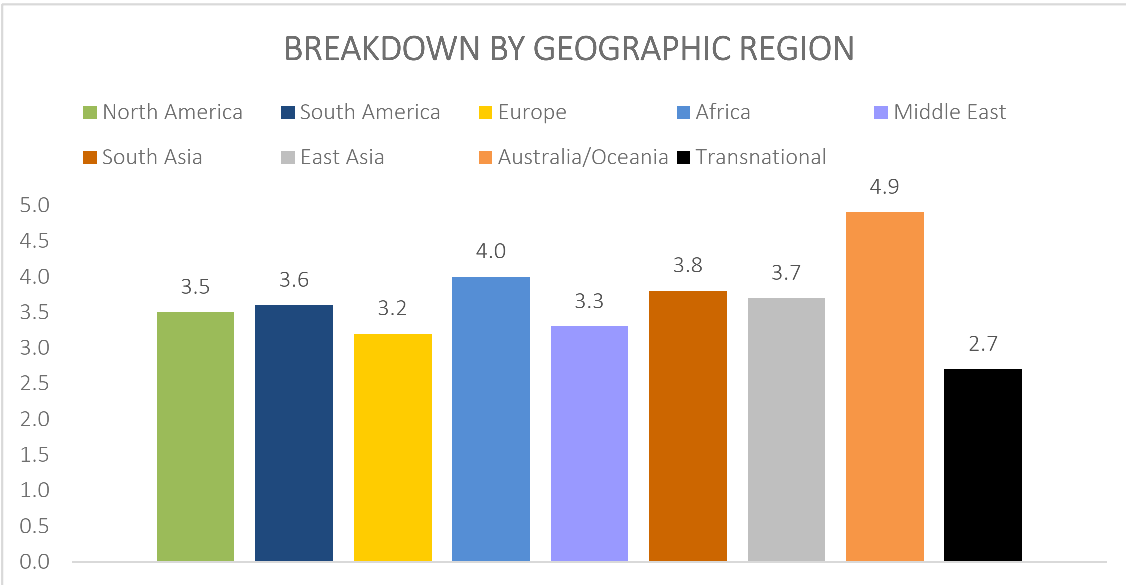
[145] *See* The Institute of Chartered Accountants of Pakistan (ICAP); Association of Certified Chartered Accountants (ACCA); Kreston International; Moore Stephens International Ltd (MSIL); National Association of State Boards of Accountancy (NASBA); Nordic Federation of Public Accountants (NRF); Office of the Auditor General of Canada; RSM International Ltd; Mr. Mark Spofforth; Baker Tilly International; Accountancy Europe; Junta de Decanos del Colegio de Contadores Públicos de Perú; Ernst & Young Global Limited; Financial Reporting Council, UK; Mr. Jon Grant; Grant Thornton International Ltd; Hong Kong Institute of Certified Public Accountants; KPMG; Malaysian Institute of Accountants (MIA); The Malaysian Institute of Certified Public Accountants; Wirtschaftsprüferkammer, Germany (WPK); Certified Public Accountants of Ireland; Chartered Institute of Public Finance and Accountancy (CIPFA); Comité de Integración Latino Europa - América (CILEA); Compagnie Nationale Des Commissaires Aux Comptes and Conseil Superieur De L'Ordre Des Experts-Comptables of France - joint responses; CPA Australia; CPA Canada; Deloitte; European Federation of Accountants and Auditors for SMEs (EFAA); External Reporting Board, New Zealand (XRB); Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE); Financial Reporting Council, Australia; Global Accounting Alliance (GAA); Government Accountability Office, U.S.A. (GAO); Institute of Certified Public Accountants of Greece (SOEL); Institute of Chartered Accountants in England and Wales (ICAEW); Institute of Chartered Accountants of Scotland (ICAS).

[146] HW Fisher & Company at 6; *see also, e.g.*, The Institute of Chartered Accountants of Nigeria (ICAN) at 3 ("The current process whereby standard-setting board members are appointed by IFAC on the recommendation of its Nominating Committee and with the approval of the PIOB and vacancies on the independent standard-setting boards filled through an open call for nominations is robust."); Institute of Cost and Management Accountants of Bangladesh (ICMAB) at 4 ("We don't find any problem with existing nomination process."); Institute of Independent Auditors of Brazil (IBRACON) at 5 ("We believe that the current nomination process is efficient and should not be changed, but improved."); Association of Accountancy Bodies in West Africa at 3 (opposing changes to the current nominating process on the grounds that the "current process is adequate"); Office of the Auditor-General for the Federation, Nigeria at 3–4 ("There is no documentary evidence of public outcry that the status quo has led to loss of public confidence in the standards. Therefore the status quo should be maintained.").

[147] HW Fisher & Company at 6.

(4) Breakdown By Geographic Region (PIOB Administration)

69. Geographic analysis of the comment letters showed that commenters from most regions did not support making the PIOB responsible for administering the nomination process. Australian entities were particularly opposed to PIOB control of the nomination process. On the other hand, this proposal appeared most popular among European commenters.



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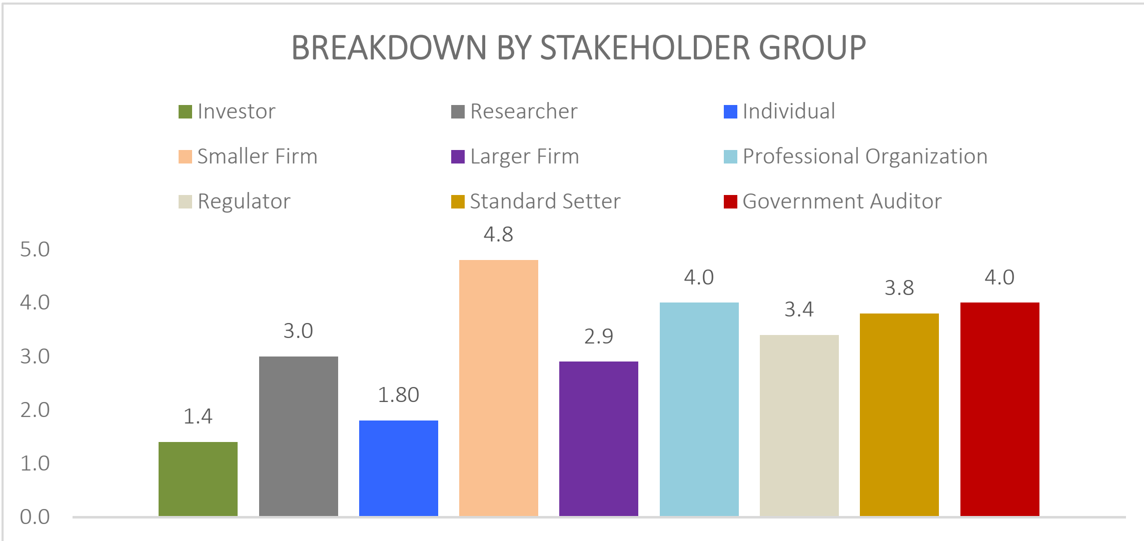
(5) Breakdown By Stakeholder Group (PIOB Administration)

70. The stakeholder group analysis showed that investors and individuals generally were in favor of the PIOB assuming responsibility for the nominating process, while professional organizations, smaller

firms, and government auditors generally were opposed to this proposal. The table below breaks down the average score by stakeholder.[148]



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(6) Positions On PIOB Administration

71. The commenters supporting the Monitoring Group's proposal to have the PIOB control standard-setting board nominations tended to correspond closely with the commenters who had agreed with the Monitoring Group's view that the current standard-setting model needs drastic reform to

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[148] As with previous sections, if a particular commenter fulfilled the criteria of two stakeholder groups (e.g., the commenter serves as both a regulator and standard-setter), it was counted in each stakeholder group.

reduce the potential for undue influence from the accounting profession. The comment letter from the European Securities and Markets Authority (ESMA) was typical in this regard, first stating that "the proposed changes are a necessary step in the right direction to increase the independence, public accountability, quality and effectiveness of the international audit-related standard-setting process" before voicing its support for "the proposed changes to the nomination process of the Board members" and for "the proposed role of the PIOB."[149]

72. Several commenters opposing the Monitoring Group's proposal argued that giving the PIOB responsibility for administering the nomination process would simply replace the risk of undue influence by the accounting profession with the threat of undue influence by regulators. The Office of the Auditor-General of New Zealand was one such commenter, stating "[t]he Proposal envisages replacing one influential group (the accounting profession represented by IFAC) with another influential group (Regulators)."[150] Similarly, the South African Institute of Professional Accountants wrote to express their concern that "PIOB having sole responsibility for the administration of the nominations process may increase the perceived risk of independence," rather than remediate that risk.[151] The Office of the Auditor-General for the Federation, Nigeria clearly opposed the proposal, writing that "The proposed role and responsibilities of the PIOB is not only unacceptable but unthinkable," and that the Monitoring Group's proposals could "only lead to concentration of too much power in the hands of the PIOB."[152] The concern in each of these letters was that the Monitoring group may have been "aiming at expanding the powers of a PIOB composed only of regulators" rather than "establishing a true multi-stakeholders' Governance of the standards setting Board(s)."[153]

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[149] European Securities and Markets Authority (ESMA) at 1–4; *see also, e.g.*, Aberdeen Standard at 2, 4 ("Having nominations administered independent of the profession is a vital element of the necessary reforms; the PIOB is the natural alternative overseer of nominations and appointments."); International Forum of Independent Audit Regulators (IFIAR) at 1–2 (stating its belief that "accountability of the standard setting model could be strengthened in order to improve its operating effectiveness and to promote the public interest, to be further defined in the next phase of the MG project, being appropriately embedded into all parts of the model" and that it is "supportive of an expanded role and responsibilities of the PIOB," believing "that expanded and clarified functions will strengthen the PIOB and provide for added accountability in the standard setting model").

[150] Office of the Auditor-General of New Zealand at 2.

[151] South African Institute of Professional Accountants (SAIPA) at 6.

[152] Office of the Auditor-General for the Federation, Nigeria at 3–4.

[153] Fédération des Experts Comptables Méditerranéens (FCM) at 3; *see also* Group of 100, Australia at 1 ("We would be concerned at proposals that would hand to regulators governance and control of the entire process of setting auditing standards and supervising their operation. There is a risk that as they neither audit nor pay for the audits, unrealistic and/or overly expensive and unnecessary requirements may be built in to the standards."); Canadian Securities Administrators (CSA CAC) at 4 ("We recommend that the

73. Many other commenters opposed putting the PIOB in charge of the nomination process on the grounds that it would conflict with the PIOB's oversight role. These commenters stated their "belie[f] that the roles of participation and oversight are incompatible."[154] Accordingly, because the PIOB currently fulfills the oversight role, the commenters were "of the view that the [PIOB] should not participate in the nominations of the boards," continuing, instead, to "observe and have oversight over the nominations process."[155] These commenters believed that maintaining a formal split between governance and oversight "is required in order to comply with the basic principles of good governance, democracy, separation of powers and human rights, that apply to public authorities such as oversight bodies having the ultimate responsibility to adopt binding legal provisions (standards on auditing) and to control the application thereof by auditors (quality assurance reviews; investigations and disciplinary sanctions)."[156] The International Auditing and Assurance Standards Board (IAASB) specifically noted that under the current system, "[t]he Nominating Committee, as overseen by the PIOB, has consistently demonstrated its ability to operate the nominations process effectively."[157] It was concerned that "[t]he PIOB as currently arranged simply does not have the capability to replicate or advance upon today's system, and it is doubtful it would be able to do so in the foreseeable future to the same efficacy."[158]

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nomination process be performed through an open call for candidates, rather than reliance on appointments or nominations from a Monitoring Group organization. This would allow for a broader group of candidates from the stakeholder community to apply and remove any perception that a representative has a responsibility to, or is influenced by, a member organization of the Monitoring Group."); External Reporting Board, New Zealand (XRB) at 3–4 ("The risk of having more regulatory body representation and/or their closer direct involvement in the setting of standards is that it creates a conflict of interest or moral hazard when the regulators subsequently have to enforce those standards. In principle, that risk is no different from the risk perceived by the MG that the profession, as the "implementers" of the standards, have undue influence over their development.").

[154] Institute of Singapore Chartered Accountants (ISCA) at 4.

[155] *Id.*

[156] Instituut van de Bedrijfsrevisoren Institut des Réviseurs d'Entreprises, Belgium at 4; *see also, e.g.*, Society of Certified Accountants and Auditors of Kosovo (SCAAK) at 7 ("We do not see any necessary changes for the current nomination process because as proposed in CP, PIOB might have a conflict of interest by having governance and oversight roles."); Mr. Fermín Del Valle at 3 ("[A]ssigning to the PIOB the responsibility for the nomination process would imply significantly weakening the system. There would no longer be a true independent oversight and the independence of the PIOB would be threatened when it comes to having to monitor and report on the performance of members who were elected in a process carried out under its responsibility.").

[157] International Auditing and Assurance Standards Board (IAASB) at 8.

[158] *Id.* at 9; *see also, e.g.*, The Japanese Institute of Certified Public Accountants (JICPA) at 7 ("We have concerns about the PIOB administering the nomination process due to the lack of clear separation between the roles of standard setting boards and their oversight. It is desirable that a nominating committee that comprises of multi-stakeholders and a chairperson independent of the Monitoring Group, the PIOB, and IFAC designates the members of the boards, as the committee can conduct the nominating process with

74. Notably, the PIOB itself expressed reservations in its comment letter over the proposed role of administering the nomination process, writing that "regarding the proposed role in nominations to SSB positions, the PIOB may not have appropriate or sufficient networks to source the right people to fill these vacancies (skills, experience, diversity, gender, geography, etc.)."[159]

E. Separate Standard-Setting Boards For Audit Standards And Ethics Standards

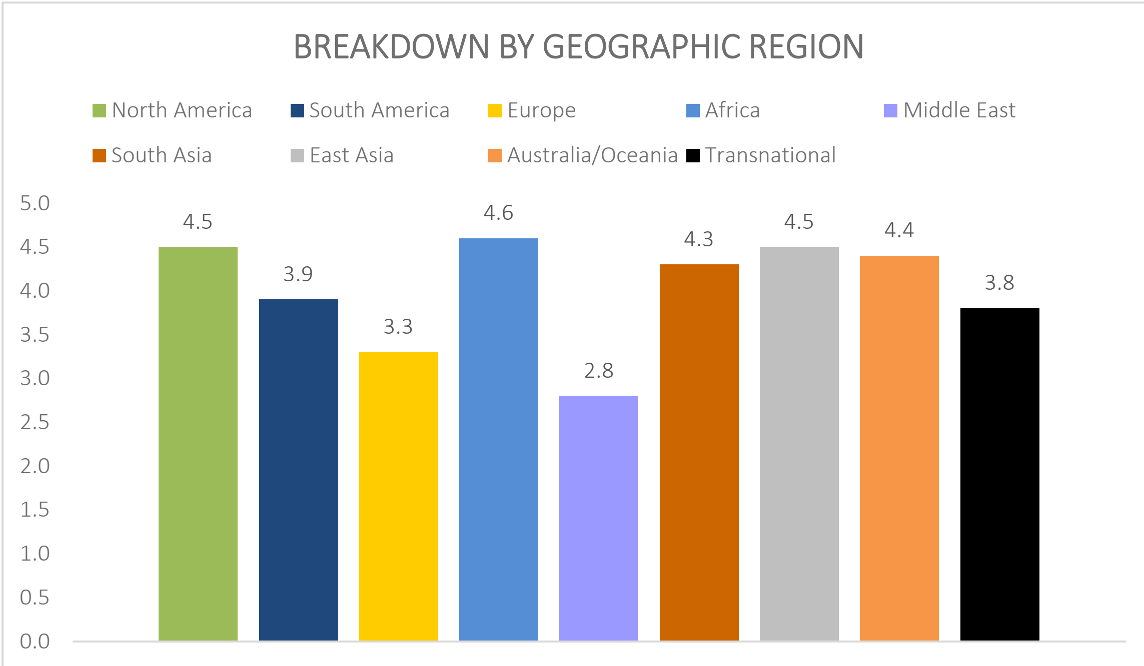
75. Of the submitted comments, 142 discussed the Consultation Paper's proposal to combine the IAASB and IESBA, the 2 standard-setting boards that are currently responsible for audit standards and ethics standards for accountants, respectively. These 142 comments were assigned a score of 1 to 5, with 1 representing strong support for combining the ethics and audit standard-setting boards, and 5 representing strong opposition to combining them. Of the 142 comments that discussed the proposal, 20 were scored a 1; 14 were scored a 2; 3 were scored a 3; 19 were scored a 4; and 86 were scored a 5. Therefore, 105 comments expressed some or strong disagreement with combining the standard-setting boards for audit and ethics standards, and 34 comments expressed strong or some agreement with the proposed plan. The average score for these comments was 4.0, suggesting a strong level of disagreement with the Consultation Paper's proposal to create a single board responsible both for setting audit standards and for setting ethics standards for auditors.

(1) Breakdown By Geographic Region

76. The greatest opposition to the Consultation Paper's proposal came from Africa with an average score of 4.6, representing strong disagreement with the proposed combination of an audit and ethics standard-setting board. North America, East Asia, Australia/Oceania, and South Asia also were strongly against the proposed combination of the standard-setting boards. Some support came from commenters the Middle East, with an average score of 2.8, slightly in favor of a proposed combined standard-setting board.

enhanced independence."); Global Accounting Alliance (GAA) at 2 ("We do not agree that the nominating process should be managed by the PIOB as this would be in conflict with its oversight role."); Institute of Chartered Accountants of the Caribbean (ICAC) at 4 ("We are not in favour of the nomination process being transferred to the PIOB as we believe the PIOB already serves a critical role which might be conflicted.").

[159] PIOB at 5.



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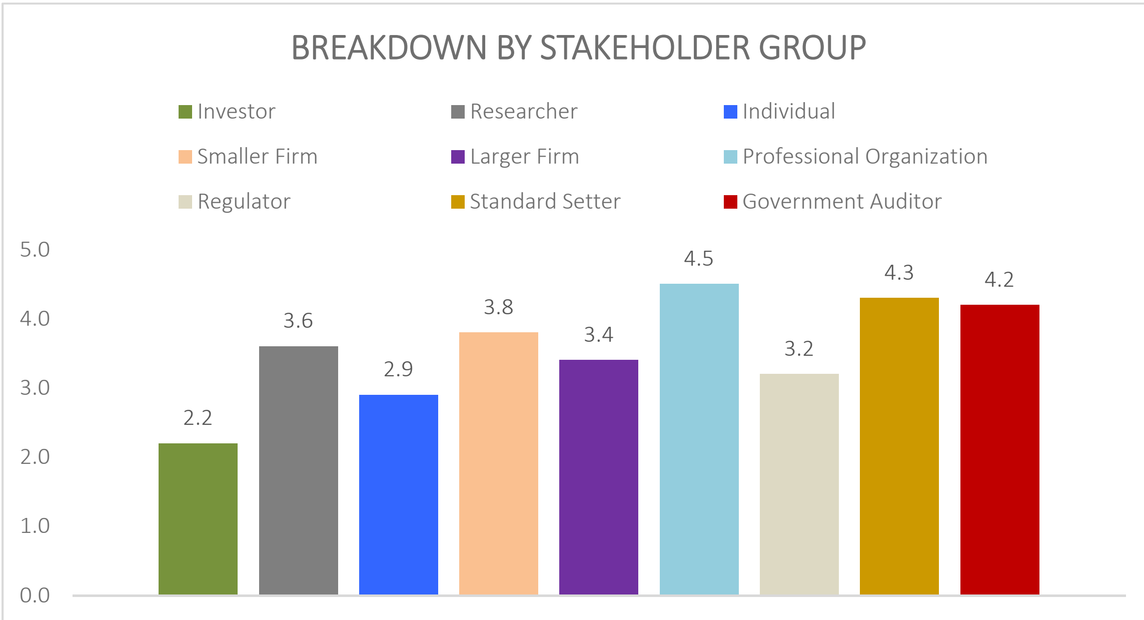
(2) Breakdown By Stakeholder Group

77. Investors had the most positive view of the Consultation Paper's proposal to create a combined standard-setting board, with an average score of 2.2, followed by individuals, with an average score of 2.9. It appears that the larger firms (with an average score of 3.4) had a more positive view of a combined standard-setting board than did smaller firms (with an average score of 3.8), although both larger and smaller firms, on balance, opposed combining the standard-setting boards. Researchers and government auditors both tended to express negative views on this proposal, with each group averaging scores of 3.6 and 4.2, respectively. Standard setters also took a dim view of the proposal, scoring an average of 4.3. Finally, professional organizations registered the most

negative views, and consequently, were most likely to support maintaining separate standard-setting boards for ethics and audit standards, with an average score of 4.5.[160]



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[160] If a particular commenter fulfilled the criteria of two stakeholder groups (e.g., the commenter serves as both a regulator and standard-setter), it was counted in each stakeholder group. For stakeholder groups who submitted very few comments on this topic, we have less confidence that the averages are representative of the broader group. There were a limited number of comments submitted for this topic by: smaller firms (4); government auditors (6); individuals (7); and researchers (7).

(3) Comments In Favor Of A Combined Audit And Ethics Standard-Setting Board

78. The comment letters in favor of a combined standard-setting board for ethics and audit standards broadly contended that ethics for auditors and audit standards were synergistic, such that combining the boards would promote efficiency and economies of scale.[161]

79. Commenters expressed that "ethics go hand-in-hand with auditing and assurance and are not independent of each other."[162] The Auditor Oversight Body of Germany noted a combined board could "better respond" to the connection between audit and ethics standards and "may provide a broader view to better reflect the public interest."[163] Similarly, comments that approved of the proposal favorably cited the Monitoring Group's assertion that ethics permeate everything an auditor does.[164] The European Banking Authority posited that combining the standard-setting boards would increase the prominence of ethics.[165] Financial Reporting Council, UK favorably cited its experience in the UK in which it sets both auditing and ethical standards and noted that a single combined board "will help to ensure that there is an appropriate focus on audit as a public interest activity."[166]

80. Another theme among comments in favor of this proposal was that combining the standard-setting boards would create a simpler and more transparent process.[167] The Committee of European Audit Oversight Bodies (CEAOB) opined that establishing a single combined board "will help in enhancing the clarity and visibility regarding the role of the single standard setting board,

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[161] *See, e.g.*, Committee of European Audit Oversight Bodies (CEAOB) at 2; European Banking Authority (EBA) at 5 ("A single board could be justified by the synergies between auditing and ethical standards."); Investment Association (the IA) at 4 (noting a single board "would help ensure better coordination of ethical and auditing standards and drive consistent auditor behaviour" and "reduce duplication of effort and deliver economies of scale"); Ms. Susan Koski-Grafer at 3 ("The existence of two boards inevitably creates a constant need for formal interfaces and communications, thereby adding to the necessary steps, stops and starts in the process of developing a standard. Having two separate boards also adds to infrastructure and overhead costs and can lead to over-compartmentalization, delaying progress in standards projects and adding to complexity in standards.").

[162] Capital Markets Authority of Kuwait at 1.

[163] Auditor Oversight Body, Germany (AOB) at 3.

[164] *See, e.g.*, Office of the Auditor-General of New Zealand at 2 ("[I]t is not always possible to separate ethical considerations from assurance and quality control considerations."); Sarasin and Partners LLP at 3 (noting they "share the belief that ethics and integrity must be embedded in everything the auditor does").

[165] European Banking Authority (EBA) at 5 (positing that combining the standard-setting boards "would contribute to making ethics a permanent and noticeable feature of auditing and assurance standards; auditing, assurance and ethical standards are very closely related (the quality of audits depends on the conduct of auditors as well)").

[166] Financial Reporting Council, UK at 3–4.

[167] *See, e.g.*, European Securities and Markets Authority (ESMA) at 2 ("Retaining separate boards is not justified, neither from effectiveness nor from cost-benefit perspectives.").

it will simplify the processes, and help in increasing consistency regarding the content of auditing and ethical standards for auditors."[168] Similarly, the European Banking Authority noted that a single combined board "would eliminate risks which might arise from separate boards: risk of conflicts of competences, risk of insufficient coordination or communication between separate boards, risks of inconsistent or redundant provisions in both audit and ethical standards."[169] To that end, it was noted that the "existing overlap of members" further supported combining the boards.[170] International Corporate Governance Network (ICGN) acknowledged the concern that combining the boards might lead to insufficient attention paid to one of the areas, but proposed adding technical, ethical, and education subcommittees "to address some of the potential pitfalls of diluting attention to specific areas," such that board members could "focus on areas of particular interest and expertise."[171]

(4) Comments Opposed To A Combined Standard-Setting Board For Audit And Ethics Standards

81. Comment letters opposed to combining the standard-setting boards focused on (a) the increased workload and impact on efficiency; (b) difficulty in finding personnel qualified to promulgate standards on both audits and ethics; (c) negative impact on the public interest; and (d) a lack of complete information regarding the proposal and data supporting it.

(a) Concerns Regarding Workload And Efficiency

82. A common theme among comments opposed to this proposal was a concern that a combined standard-setting board would have too great a workload and would become inefficient. For example, the Malaysian Institute of Accountants (MIA) noted that even if the single combined board alleviated some concerns such as duplication of effort, it "may give rise to other problems such as loss of focus and increased workload."[172] Another commenter similarly cautioned that "the responsibility/resources required for a single independent board might work against it given the complexity and volume of audit and ethics issues that need to be addressed and the ensuing workload for a single board."[173] External Reporting Board, New Zealand expressed concerns that an overworked board could lead to diluted standards.[174] Additionally, the American Institute of

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[168] Committee of European Audit Oversight Bodies (CEAOB) at 2.
[169] European Banking Authority (EBA) at 5.
[170] *See* Sia Management Consulting, Dubai at 4.
[171] International Corporate Governance Network (ICGN) at 2.
[172] Malaysian Institute of Accountants (MIA) at 2.
[173] The Malaysian Institute of Certified Public Accountants (MICPA) at 2.
[174] External Reporting Board, New Zealand (XRB) at 4 (expressing concern over the "effect which the widened remit to cover both audit & assurance and ethics standards within a single board could have on the quality and timing of the development and issue of standards, given the rapidly changing role of

Certified Public Accountants (AICPA) and Chartered Institute of Management Accountants (CIMA) noted that "[r]ather than hastening standards development, combining these two responsibilities could instead divide the board's attention and delay the publication of standards."[175] However, even commenters opposed to combining the boards encouraged better coordination between the 2 standard-setting boards.[176]

(b) Concerns About Ability To Find Qualified Personnel

83. Commenters also expressed concern that combining the boards could lead to members who were unqualified to comment on audits or ethics.[177] One of the most negative comments

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assurance and the need to respond to rapid changes in the business environment"); Institute of Singapore Chartered Accountants (ISCA) at 2 ("With increasingly complex issues in both audit and ethics, we are concerned that there may be insufficient attention given to either area if only one single board is responsible. The remit may be too wide for the single board. Also, there could be challenges in attracting suitable board members with expertise in both areas.").

[175] American Institute of Certified Public Accountants (AICPA) and Chartered Institute of Management Accountants (CIMA) at 11; *see also* Association of Accountancy Bodies in West Africa at 2.

[176] *See, e.g.*, Benin Institute of Chartered Accountants (OECCA BENIN) at 1; Malaysian Institute of Accountants (MIA) at 2 ("Efforts should therefore be made to further strengthen the strategic and technical coordination between the IAASB and the IESBA to reduce duplication of efforts on issues that are relevant to both auditing and ethics and to further align strategies and work plans."); Mr. Fermín Del Valle at 3 ("[I]f necessary, joint working groups can be set up to address certain issues, and then, where appropriate, the standards will be issued by the corresponding board."); National Association of State Boards of Accountancy (NASBA) at 3 ("[T]he establishment of joint task forces to work on areas of common interest would be beneficial to the international standard-setting process."); Office of the Superintendent of Financial Institutions Canada (OSFI) at 3; Public Interest Oversight Board (PIOB) at 3 ("The concern of coordination between the audit and ethics standard-setting boards] could be solved other than by merging the two boards. For example, a coordination committee between the two boards could identify special procedures to operate in cases of overlapping topics, planning meetings between the chairs could pre-empt substantially different approaches to common issues, the chairs of the two boards could attend each other's meetings, etc.").

[177] *See, e.g.*, Association of Supervisors of Banks of Americas (ASBA) at 2; Auditing and Assurance Standards Board of Australia (AUASB) at 4 (supporting separate standard-setting boards because "the skillset and expertise required to oversee each of the full suite of auditing and ethical standards requires a different set of capabilities" and a single board may not have "the capacity to address all issues that arise . . . in a timely manner"); CFA Institute at 4 (supporting combined role but "question[ing] whether combining these two boards might dilute the focus on each of the topic areas, as well as possibly reduce the level of expertise—especially the time of board members given the new smaller single board—devoted to each area of standard-setting"); European Federation of Accountants and Auditors for SMEs (EFAA) at 4; External Reporting Board, New Zealand (XRB) at 4 (noting concern with "[t]he difficulty in finding members who have the appropriate qualifications, experience and skills, and an interest in both audit & assurance and ethics, and in wider corporate reporting/non-financial information reporting and other emerging issues"); Office of the Auditor General of Alberta at 5 ("[T]he scope of ethics i.e. codes of conduct of auditors includes many issues not relevant to either a specific audit nor the quality control at an audit firm, such as

referred to the proposed combined standard-setting board as "the oddest and least well considered" suggestion, as "[t]he conflict in priorities and resource allocation would be far too great, the expertise needed is completely different, and the public interest would never be served by combining two such different areas."[178] The Auditing and Assurance Standards Board of Canada (AASB) explained its view that that with a single board, "it may be challenging to find members with the appropriate skillsets covering both activities; and it may result in an imbalance of attention to the priorities of one board" and that "these challenges could result in less timely standards or lower quality and less relevant standards."[179] To that end, the Financial Reporting Council, Australia "caution[ed] consolidation as it may dilute the expertise of the board, with too many interests represented across a new amalgamated board's expanded portfolio" and that the model would result in "less board time on each issue, reduced consultation and loss of expertise."[180] Similarly, IFAC explained that its "experience with nominations is that there are only a limited number of people who would be equally knowledgeable and skilled in both auditing and ethics."[181] This commenter also expressed concern that "[c]ombining these two boards potentially dilutes the focus on each of the topic areas, and significantly reduces the current level of expertise and resources—that is, the time of board members and their technical advisers—devoted to each area of standard setting."[182] Another commenter expressed concern that without sufficiently knowledgeable members, the combined standard-setting board could become too reliant on its staff and lead to "a board that can't effectively undertake its role."[183]

(c) Negative Impact On Public Interest

84. Others questioned whether combining the standard-setting boards was in the public interest.[184] For example, the Association of Supervisors of Banks of Americas noted that with separate

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ethical advertising or issues relating to fees, which may seem out of place in a technical set of audit standards, and may distract a unitary board from important technical audit issues.").

178 Mr. Mark Spofforth at 6.

179 Auditing and Assurance Standards Board of Canada (AASB) at 4; *see also* Conselho Federal de Contabilidade (CFC) at 7 ("Having two SSBs clearly delineates the work of each, ensures a clear focus on key topic areas, and means that sufficient, specifically assigned resources are properly and weighted devoted to these topics.").

180 Financial Reporting Council, Australia at 3; *see also* Institute of Chartered Accountants in England and Wales (ICAEW) at 6 ("If a single board with responsibility for audit standards and ethical standards for auditors were to be set up, it would have an unwieldy agenda and need such a diverse range of board experience as to inevitably dilute the depth of that experience.").

181 International Federation of Accountants (IFAC) at 12.

182 *Id.* at 4.

183 *See* MNP LLP, Canada at 2.

184 *See, e.g.*, Erasmus School of Accounting & Assurance (ESAA) at 2 ("[A] single board responsible for both assurance and ethical standards will not address the key concerns of serving the public interest."); The Institute of Chartered Accountants of India (ICAI) at 4 ("Independent functioning of these boards,

boards, "single stakeholders have fewer chances of exerting undue influence in the standard-setting process."[185] Comments opposed to the proposal also expressed concern that combining the boards would lead a single board to focus more heavily on audit standards than ethics standards; these comments argued that keeping separate boards would ensure that ethics received its due attention.[186] In addition, one commenter expressed the view that "the volume of work is too high for a single board to develop standards that are appropriately responsive to the public interest" and "there is a significant risk that the development of ethical standards will suffer in relation to auditing and assurance standards."[187] Certified Public Accountants of Ireland noted that the Consultation Paper's proposal could "adversely impact" the number of jurisdictions who adopted the standard-setting boards' ethics and auditing standards.[188] The Edinburgh Group expressed concern that combining the boards "would make it more difficult for the views of the [small to medium practice] stakeholder community to be heard and reflected in audit, assurance and ethics standards."[189] The Institute of Chartered Accountants in England and

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particularly, a separate Board for ethics will better take care of public interest."); International Ethics Standards Board for Accountants (IESBA) at 2–3.

[185] Association of Supervisors of Banks of Americas (ASBA) at 2; *see also* Asean Federation of Accountants at 4 ("Having separate boards would also serve as a check and balance mechanism between the boards, particularly on issues that are relevant to auditing and assurance, and ethics. This would also minimise the risk of potential undue influence of certain stakeholders to auditing and assurance, and ethical standards.").

[186] *See, e.g.*, AFROSAI-E at 5 ("The ethical behaviour of accountants and auditors requires even greater focus given the increased scrutiny of the profession from the public. We therefore recommend retaining a dedicated ethics standards board.").

[187] Auditing and Assurance Standards Oversight Council of Canada (AASOC) at 7; *see also* Canadian Securities Administrators (CSA CAC) at 2 ("[A] single board could result in an insufficient focus being placed on the development of ethical standards."); South African Institute of Professional Accountants (SAIPA) at 4 ("Collapsing the two boards into one will compromise one of these two and it is very likely that the standards that will be compromised will be the ethics part. Currently the existence of the two boards independent of each other contribute to the relevance and accountability.").

[188] Certified Public Accountants of Ireland at 5 ("[T]he status quo, with two separate boards for developing auditing and assurance and ethics standards, should be retained and . . . is in the public interest. The level of global adoption of the current model for both auditing/assurance and ethics standards in both the private and public sectors, including adoption through legislation and by public authorities, is testimony to the confidence in the quality of the standards that result. A concern here is that the considerable progress that has been made in terms of the wide-scale adoption of the Boards' ethics and auditing standards may be adversely impacted if the MG proposal to reform the standard-setting Board(s) proceeds."); *see also* IESBA at 3 ("[T]he approach proposed by the Monitoring Group would risk leading some jurisdictions to revert back to setting ethical standards on a national basis – undermining the important public interest goal of establishing global standards. This would undermine the progress made to date – which has resulted in some 120 jurisdictions adopting the Code or using the Code as the basis for their national ethical standards.").

[189] The Edinburgh Group at 2.

Wales (ICAEW) noted that combining the standard-setting boards risked "divert[ing] attention away from consideration of critical issues facing auditing now, such as the impact of technology, towards the management of the significant volume of existing standards."[190] The Office of the Auditor-General for the Federation, Nigeria cautioned that combining the standard-setting boards "may even lead to loss of public confidence which the MG's suggested reform seeks to achieve in the first place."[191]

(d) Incomplete And/Or Inadequate Information

85. A number of other commenters noted that there was not enough information provided on this topic to provide meaningful analysis or comment. Wirtschaftsprüferkammer, Germany, a professional accountancy organization, noted that insufficient information had been provided about the proposal, such that it could not comment; this commenter wrote that the Consultation Paper had not yet provided information on responsibility for standards "outside of the scope of audit" or for "general ethical principles as opposed to independence requirements," without which it was "impossible to finally answer the questions about the adequate number of boards without having a clear understanding of the responsibilities."[192] Other commenters noted that the Monitoring Group had not released or identified data supporting its proposal to combine the 2 standard-setting boards.[193] Certified Public Accountants of Ireland also voiced concern that the Consultation Paper cited a stakeholder survey, but had not released the identity of the stakeholders or the findings of the survey, and emphasized "the importance of a robust and appropriate analysis of current facts and processes, so that there is clarity in relation to actual deficiencies and, from there, which options would make a real difference."[194]

F. The Optimal Size And Composition Of The Standard-Setting Boards

86. Of the comments submitted, 136 addressed the issue of the optimal size and/or the composition for the standard-setting boards: the Monitoring Group's Consultation Paper suggests having 12 members (with a combination of part-time and full-time members) composed of 3 groups of 4 board members, with the 3 groups of board members representing the 3 categories of primary

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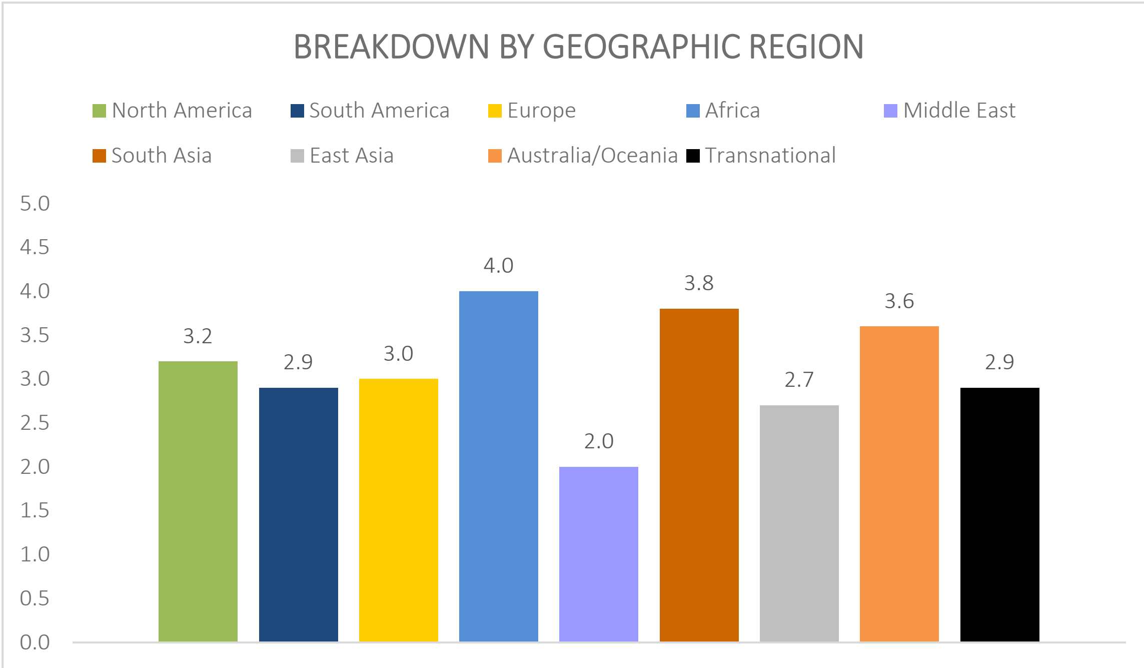
[190] Institute of Chartered Accountants in England and Wales (ICAEW) at 6.
[191] Office of the Auditor-General for the Federation, Nigeria at 1.
[192] Wirtschaftsprüferkammer, Germany (WPK) at 10.
[193] *See, e.g.*, European Federation of Accountants and Auditors for SMEs (EFAA) at 4 ("In the absence of a robust case to the contrary, including compelling evidence to support a single board and suitable alternative arrangements for ethical standards for non-audit and for professionals working in business, we support the retention of separate boards."); Financial Reporting Council, Australia at 3.
[194] Certified Public Accountants of Ireland at 5.

stakeholders ("users," regulators, and auditors). The comments were scored from 1 to 5, with 1 representing strong support and 5 representing strong disapproval for the Monitoring Group's proposed changes to the size and/or composition of the standard-setting boards; a comment that agreed with the proposed allotment of board members for each stakeholder group but disagreed with the proposal to have a smaller board was coded as a 2, and a comment that agreed with the proposal to have a smaller board but disagreed with the proposed allotment of board members was coded as a 4. Of the comments submitted, 11 were scored a 1; 54 were scored a 2; 5 were scored a 3; 34 were scored a 4; and 32 were scored a 5. The 136 comments that discussed these proposals were scored an average of 3.2. Accordingly, 65 expressed some or strong support for the proposed size and composition of board members for the standard-setting boards, compared to 66 opposed.

(1) Breakdown By Geographic Region

87. The most broadly supportive comments came from the Middle East (with an average score of 2.0) and East Asia (with an average score of 2.7). By contrast the most negative views came from Africa (with an average score of 4.0) and South Asia (with an average score of 3.8). To some degree, the negative views from Africa and South Asia centered on the perceived potential for a decrease in geographic diversity and attention to emerging economies if the proposal for a smaller board were adopted. Although these concerns were reflected in comments from all geographic regions, comment letters from organizations based in Africa, South America, and Asia were more likely to emphasize this point in explaining their opposition to this proposal.

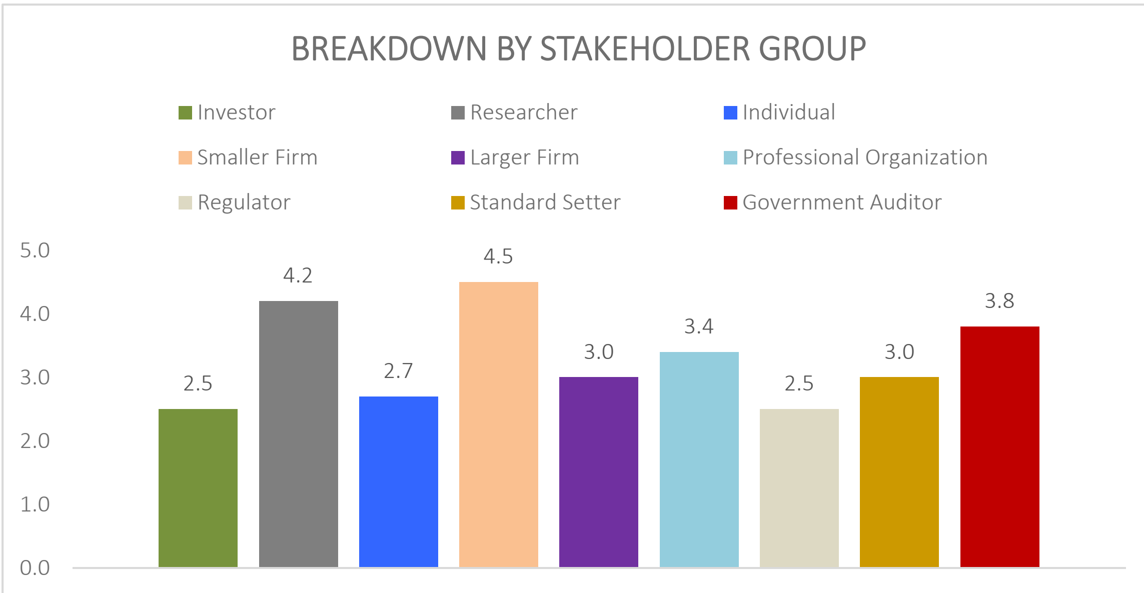


○ 5 (disagreed without qualification that the standard-setting board should have 12 members composed of 3 equally sized groups representing the 3 categories of primary stakeholders)
○ 4 (agreed that the board should have 12 members but disagreed that the standard-setting board should have 3 equally sized groups representing the 3 categories of primary stakeholders)
○ 3 (was ambivalent with respect to the size and composition of the standard-setting board)
○ 2 (agreed that the standard-setting board should have 3 equally sized groups representing the 3 categories of primary stakeholders but disagreed that the board should have 12 members)
○ 1 (agreed without qualification that the standard-setting board should have 12 members composed of 3 equally sized groups representing the 3 categories of primary stakeholders)

(2) Breakdown By Stakeholder Group

88. Investors and regulators appeared to have the most positive views toward the Consultation Paper's proposed board size and/or composition, each averaging a score of 2.5. Regulators also averaged a positive view of this proposal, with an average score of 2.5. Individuals also held generally positive views, with an average score of 2.7. Standard setters, meanwhile, had an average score of 3.0. Government auditors took a slightly more negative view, with an average score of 3.8. Industry and professional organizations expressed divergent views, and averaged a score of 3.4. Smaller firms

held the most negative views, with an average score of 4.5. And researchers held the second-most negative views on the proposal, with an average score of 4.2.[195]



○ 5 (disagreed without qualification that the standard-setting board should have 12 members composed of 3 equally sized groups representing the 3 categories of primary stakeholders)
○ 4 (agreed that the board should have 12 members but disagreed that the standard-setting board should have 3 equally sized groups representing the 3 categories of primary stakeholders)
○ 3 (was ambivalent with respect to the size and composition of the standard-setting board)
○ 2 (agreed that the standard-setting board should have 3 equally sized groups representing the 3 categories of primary stakeholders but disagreed that the board should have 12 members)
○ 1 (agreed without qualification that the standard-setting board should have 12 members composed of 3 equally sized groups representing the 3 categories of primary stakeholders)

(3) Positions Regarding Board Composition

89. The vast majority of commenters supported the proposed multi-stakeholder representation, although some argued for including additional groups beyond the 3 groups (users, auditors, and

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[195] As with previous sections, if a particular commenter fulfilled the criteria of two stakeholder groups (e.g., the commenter serves as both a regulator and standard-setter), it was counted in each stakeholder group. For stakeholder groups who submitted very few comments on this topic, we have less confidence that the averages are representative of the broader group. There were a limited number of comments submitted for this topic by: government auditors (5); smaller firms (4); individuals (6); and researchers (5).

regulators) identified in the Consultation Paper. All of the comments except one[196] supported at least one-third of the positions going to auditors or those with some auditing experience, usually to ensure that members could effectively contribute to discussions on technical aspects while avoiding becoming too reliant on technical staff.[197]

90. Commenters proposed additional stakeholders to consider as board representatives, such as:

- Investors;[198]
- Preparers of financial statements;[199]
- Academics;[200]
- Audit committees;[201] and
- Supreme audit institutions.[202]

91. In addition, commenters noted that the board should include members from diverse backgrounds, including considerations of the following:

- Geographic diversity;[203]

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[196] Sarasin and Partners LLP at 4 (auditors should be limited to 1 or 2 members).
[197] *See, e.g.*, Baker Tilly International at 5 ("[W]e do not feel it is appropriate for only four of 12 members to represent the profession. Comparing this to, say, the airline or medical industries, would we really want airline and medical safety standards to be set with a body of 12 individuals, of whom only four were representative of that profession."); Central Bank of Brazil at 1; Crowe Horwath International at 5–6.
[198] *See, e.g.*, Accountants Association Poland at 4; Consejo Elaborador de Normas de Contabilidad y Auditoría (CENCYA) at 4; Conselho Federal de Contabilidade (CFC) at 9; Irish Auditing & Accounting Supervisory Authority (IAASA) at 4; International Federation of Accountants (IFAC) at 6.
[199] *See, e.g.*, Accountants Association Poland at 4; Conselho Federal de Contabilidade (CFC) at 9; International Federation of Accountants (IFAC) at 6.
[200] *See, e.g.*, Accountants Association Poland at 4; Consejo Elaborador de Normas de Contabilidad y Auditoría (CENCYA) at 4; International Federation of Accountants (IFAC) at 6.
[201] *See, e.g.*, Mr. Jon Grant at 5.
[202] *See, e.g.*, AFROSAI-E at 7.
[203] *See, e.g.*, Association of Supervisors of Banks of Americas (ASBA) at 2; Auditing and Assurance Standards Board of Australia (AUASB) at 5; Auren at 2–3; Austrian Financial Reporting and Auditing Committee (AFRAC) at 2; Deloitte at 9; Institute of Singapore Chartered Accountants (ISCA) at 3 (emphasizing a focus on emerging economies); Institute of Cost and Management Accountants of Bangladesh (ICMAB) at 3; Nordic Federation of Public Accountants (NRF) at 11. *But see* Council of Institutional Investors, U.S.A. at 9–10 ("MG should be cautious that the pursuit of 'geographic diversity' does not result in a rigid formula for determining the composition of the standard setting boards, its working groups, or the PIOB. A rigid geographical diversity formulation could create the perception that individual members are expressing the views of a geographical constituency that they represent rather than their individual views.").

- Diversity of expertise, including industry and organization backgrounds;[204]
- Gender diversity;[205]
- Diversity of firm size for auditors;[206] and
- Those involved with SMEs.[207]

(4) Positions Regarding Board Membership

92. The vast majority[208] of comments supported both full-time and part-time members, although the proportions tended to vary. Some supported an equal proportion of full-time and part-time members,[209] while others proposed a full-time chairperson with all or most members remaining part-time.[210] Still others maintained that the exact proportion of part-time and full-time members could be determined based on the needs of the board.[211] The Association of Accountancy Bodies in West Africa explained its view that including both full-time and part-time members would "enrich the contributions from the diverse stakeholder groups."[212] Eumedion Corporate Governance Forum explained its view that "seeking only full-time members would unnecessarily and unhelpfully

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[204] *See, e.g.*, Auditing and Assurance Standards Board of Australia (AUASB) at 5; Benin Institute of Chartered Accountants OECCA BENIN at 2–3; Junta de Decanos del Colegio de Contadores Públicos de Perú at 3; Mr. Nick Hasyudeen at 5.

[205] *See, e.g.*, Junta de Decanos del Colegio de Contadores Públicos de Perú at 3; Nordic Federation of Public Accountants (NRF) at 11.

[206] *See, e.g.*, BDO at 2; Conselho Federal de Contabilidade (CFC) at 10; Crowe Horwath International at 5–6; International Federation of Accountants (IFAC) at 6.

[207] *See, e.g.*, Crowe Horwath International at 5–6; Instituut van de Bedrijfsrevisoren. Institut des Réviseurs d'Entreprises, Belgium at 1–2; International Auditing and Assurance Standards Board (IAASB) at 7.

[208] Of the 134 that commented on this topic, there were only 7 exceptions. Three recommended that all members be full-time. *See* Consejo Elaborador de Normas de Contabilidad y Auditoría (CENCYA) at 4 (all full-time "unless there are budget restrictions"); Council of Institutional Investors, U.S.A. at 3; Office of the Auditor General of Alberta at 7 (all full-time with staggered terms). Several recommended that all members be part-time. *See* Abu Dhabi Accountability Authority (ADDA) at 3; Auditor Oversight Body, Germany (AOB) at 4; Ms. Mira Makar at 3 (recommending that all members be part-time "so their work has external stimulation/inspiration"); Public Accountants Council for the Province of Ontario at 4.

[209] *See, e.g.*, Junta de Decanos del Colegio de Contadores Públicos de Perú at 3; Ernst & Young Global Limited at 14.

[210] *See, e.g.*, PwC at 13, 17 (full-time Chair and two other full-time members, with remaining members being part-time); AFROSAI-E at 7 (full-time Chair with all other members part-time); The Institute of Chartered Accountants of India (ICAI) at 3 (same); Japanese Institute of Certified Public Accountants (JICPA) at 6 (same).

[211] Mr. Nick Hasyudeen at 5 ("In terms of full or part-time membership, it should be left to the need of the board rather than the proportion is arbitrarily determined.").

[212] Association of Accountancy Bodies in West Africa (ABWA) at 3.

restrict the membership of the board and reduce its ability to stay in close touch with changing perceptions among its stakeholders."[213]

93. By contrast, some comments supported only part-time members. The Abu Dhabi Accountability Authority (ADDA) expressed "concern regarding having both full time and part time in board roles and voting powers considering availability of full time staff."[214] The Audit Oversight Board of Germany also queried whether full-time members were necessary given the proposed focus on strategic matters and the availability of staff to whom drafting would be "for the most part delegated."[215]

(5) Positions Regarding Board Size

94. Several comments supported decreasing the current size of the board for the reasons noted in the Consultation Paper.[216] Some proposed a specific number of representatives, though most did not identify particular figures.[217] International Association of Insurance Supervisors (IAIS) contended that "[m]aintaining a smaller, multi-stakeholder and more strategically-focussed board should allow for more proactive planning and response to emerging trends."[218] Others noted that decreasing the size of the board would make it more efficient.[219] One commenter indicated that a size of twelve seemed adequate (though it did not support the concept of a minimum size) to be "[s]mall enough that the board can engage in meaningful dialogue and that all members take ownership and participate actively," but "large enough that an appropriate diversity of representation can be achieved (i.e., through a variety of geographic, experience and skills mix being brought to the board)."[220] Others expressed support for decreasing the size, so long as the proposed multi-

[213] Eumedion Corporate Governance Forum at 4.
[214] *See* Abu Dhabi Accountability Authority (ADDA) at 3.
[215] Auditor Oversight Body, Germany (AOB) at 4; *see also* Public Accountants Council for the Province of Ontario at 4 ("I am confused by the use of the term 'full time' for board members. If the board is to be more strategic, why would this be a full time position? I saw this position more akin to a board member of a listed entity.").
[216] *See, e.g.*, Auditing and Assurance Standards Board of Australia (AUASB) at 10 ("[T]here would be potential benefits in reducing the size of each board and revisiting the role of board members as suggested in the consultation paper."); Benin Institute of Chartered Accountants (OECCA BENIN) at 2.
[217] *See, e.g.*, BDO at 15 (15 members); Capital Markets Authority of Kuwait at 1 (odd number between 11 and 15); CFA Institute at 4 (11 members).
[218] International Association of Insurance Supervisors (IAIS) at 2.
[219] *See, e.g.*, Abu Dhabi Accountability Authority (ADDA) at 3 ("We agree that composing a strategically focused Board with fewer members, than the current composition supported by high caliber staff and formalized process will be more efficient and effective.").
[220] Deloitte at 9.

stakeholder representation could still be achieved.[221] Others offered qualified support, so long as the number of technical staff was increased.[222]

95. Comments that supported increasing the board membership noted that the number of members should be increased to ensure that all relevant stakeholder groups were represented.[223] In particular, commenters expressed concern that decreasing the number of members would make geographic diversity difficult.[224]

96. Finally, some noted that it was difficult to comment on the size of the board without knowing whether the standard-setting boards would remain separate or be combined.[225]

G. The Proper Focus Of The Standard-Setting Boards

97. The majority of commenters (84) supported the Monitoring Group's proposal for the standard-setting board to take a more strategic focus to facilitate effective development work, as well as deal with key issues, decision-making, and planning. Ten commenters were neutral, or felt that they did not have sufficient information to opine on the Monitoring Group's proposal, and only 29 commenters opposed this proposal.

98. Of the comments submitted, 123 touched on the issue of the proper focus of the standard-setting boards. These 123 comments were assigned a score of 1 to 5, with 1 representing strong support for a more strategic focus of the standard-setting boards, and 5 representing strong opposition to a more strategic focus. Specifically, 50 were rated with a score of 1 (agreeing with the proposal without qualification); 34 were rated with a score of 2 (agreeing with the proposal with some qualification); 10 were rated with a score of 3 (neutral or taking no position on the proposal); 8

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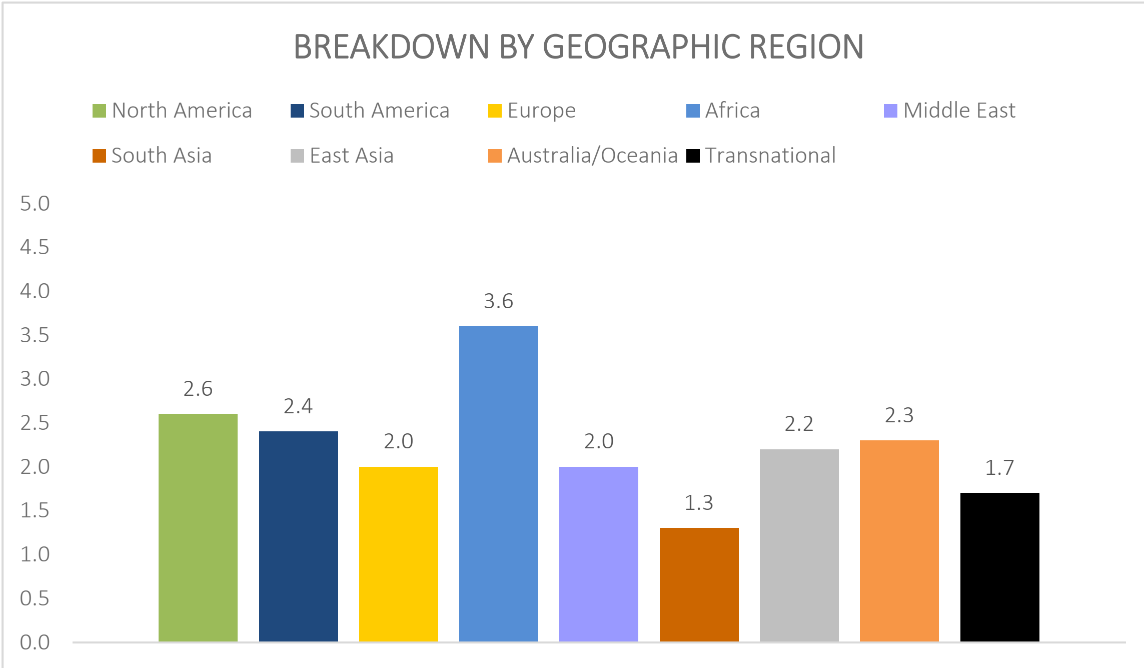
[221] Auditing and Assurance Standards Oversight Council of Canada (AASOC) at 10 ("[T]o the extent that the overall goals of protecting the public interest and achieving multi-stakeholder representation can be served by smaller than two 18-person boards, we would be open to considering a reduction. Much governance work has been done that shows that smaller groups are more effective in decision making and encouraging personal responsibility by board members."); Nordic Federation of Public Accountants (NRF) at 6; Society of Certified Accountants and Auditors in Kosovo (SCAAK) at 6 ("The proposal of 12 members might not be enough to achieve the level of geographical and professional diversity, but this number does not need to be exhaustive as to generate unproductive discussion and prolonged decision making.").
[222] *See* Canadian Public Accountability Board (CPAB) at 2.
[223] *See, e.g.*, Association of Accountancy Bodies in West Africa at 3 ("[I]t makes good sense to increase the board membership to reflect all stakeholder groups."); Grant Thornton International Ltd at 11–12.
[224] *See* Austrian Financial Reporting and Auditing Committee (AFRAC) at 8.
[225] *See, e.g.*, Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE) at 7.

were rated with a score of 4 (disagreeing with the proposal with some qualification); and 21 were rated with a score of 5 (disagreeing with the proposal without qualification). Overall, the comments averaged a score of 2.3, suggesting that the general tenor of the comments was agreement with having strategically focused standard-setting boards, although with some qualifications.

(1) Breakdown By Geographic Region

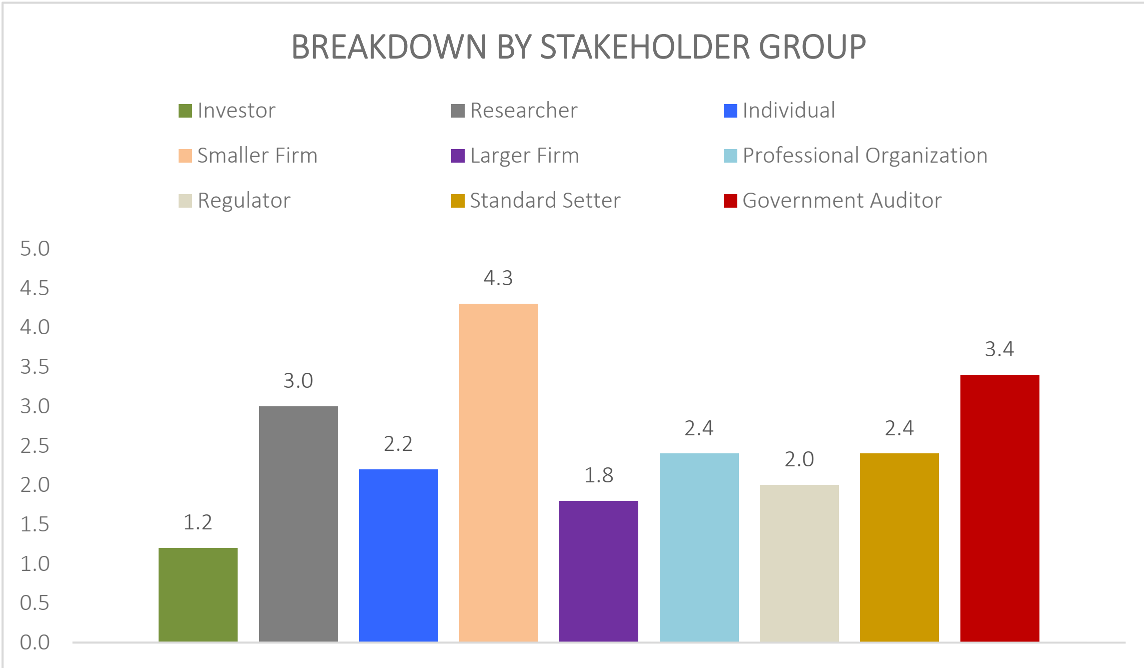
99. Stakeholders from South Asia and Transnational stakeholders were most in favor of the Monitoring Group's proposal for a more strategic board; the comments from South Asia received an average score of 1.3 (agreeing with the proposal without qualification) and the transnational respondents' comments received an average score of 1.7 (agreeing with the proposal with some qualification). More than 70% of respondents from South Asia, the Middle East, Australia/Oceania, Europe, East Asia, South America and transnational organizations approved of the proposal. Stakeholders from Africa were least in favor, with their comments receiving an average score of 3.6 (disagreeing with the proposal with some qualification).



- 5 (disagreed without qualification that the standard-setting board should have a more strategic focus)
- 4 (disagreed, but with qualifications, that the standard-setting board should have a more strategic focus)
- 3 (was ambivalent with respect to whether the standard-setting board should have a more strategic focus)
- 2 (agreed, but with qualifications, that the standard-setting board should have a more strategic focus)
- 1 (agreed without qualification that the standard-setting board should have a more strategic focus)

(2) Breakdown By Stakeholder Group

100. Investors and large accounting firms were most in favor of having a standard-setting board with a strategic focus; comments for these stakeholder groups identified with an average score of 1.2 and 1.8 respectively (agree with proposal with some qualification), with more than 80% of comments from these stakeholder groups in favor of the proposal. Comments from individuals and regulators were also more than 70% in favor of the proposal. Smaller accounting firms and government auditors were least in favor; the smaller accounting firms' 3 comments received an average score of 4.3 (between disagreeing with the proposal with qualification and disagreeing with the proposal without qualification) and the government auditors' 5 comments received an average score of 3.4 (falling between neutral and disagreeing with the proposal with some qualification).



- 5 (disagreed without qualification that the standard-setting board should have a more strategic focus)
- 4 (disagreed, but with qualifications, that the standard-setting board should have a more strategic focus)
- 3 (was ambivalent with respect to whether the standard-setting board should have a more strategic focus)
- 2 (agreed, but with qualifications, that the standard-setting board should have a more strategic focus)
- 1 (agreed without qualification that the standard-setting board should have a more strategic focus)

(3) Strategic Focus

101. Many commenters (including commenters in support of the Monitoring Group's proposal) expressed frustration with the Consultation Paper's failure to define "strategic" in relation to the standard-setting board's role.[226] Correspondingly, the Provincial Auditor of Saskatchewan opined that the Monitoring Group's proposal for the standard-setting board to be a mostly strategic entity would "duplicate roles of other components of the standard-setting model" like the PIOB or Monitoring Group.[227]

[226] *See, e.g.*, HLB International at 4-5 ("As far as the strategic nature of the board is concerned, we deplore the lack of more detail as to what is meant by strategic.").
[227] Provincial Auditor of Saskatchewan at 5.

102. Many commenters believed that a standard-setting board's role is necessarily both strategic (involving high-level planning and discussion) and technical (involving the actual drafting of standards).[228]

103. Some commenters agreed, in principle, that "a board's focus should be strategic in nature," but either believed that IAASB and IESBA are sufficiently strategic already or did not believe that the Monitoring Group made a sufficient case in the Consultation Paper that the proposed new standard-setting board's focus should be more strategic than IAASB and IESBA already are.[229] Several respondents were not in favor of the Monitoring Group's proposal for the standard-setting board to be more strategic, as they were opposed to a single standard-setting board.[230] Other commenters stated that they supported a more strategic focus for the IAASB and IESBA.[231]

[228] Office of the Superintendent of Financial Institutions Canada (OSFI) at 3; Auditing and Assurance Standards Board of Canada (AASB) at 9; Auditing and Assurance Standards Oversight Council of Canada (AASOC) at 8-9; ("[I]n our view, this is not about whether a board should be a strategic board as compared to a technically focused board; rather, it requires members that can work at both levels.").
[229] *See, e.g.*, Office of the Auditor General of Canada at 4 ("We agree that a board's focus should be strategic in nature. We are not in a position to say the focus should be more strategic as the case for this proposal has not been made."); Institute of Chartered Accountants in England and Wales (ICAEW) at 9 ("The core framework of audit procedures and independence requirements for audit as it is currently scoped, is substantially in place and further detail risks being counterproductive, moving from a professional principles based approach to something more akin to mechanical compliance."); Kingston Smith LLP at 5 ("We believe that IFAC is already following such a strategy."); Mark Spofforth at 12 (The boards should be more strategic and "should encompass a strategic view as well as dealing with the detail of standard setting, but it is not clear to me that they are not already strategic in their thinking about rule making."); Professor Steven Salterio at 9-10 ("The question assumes a premise that is not supported by evidence, that is, the current board structure is less than optimal in the strategic process it employs. I am aware of no such evidence, indeed my perception for what that is worth, is that the board is overly concerned with strategic planning, agenda setting at the expense of time that could be devoted to substantive projects.").
[230] *See, e.g.*, Instituto Nacional de Contadores Publicos, Colombia (INCP) at 5-6 ("No, we do not agree. As we said beforehand, we recommend that two boards should exist."); RMIT University at 5 ("Given that we are not convinced of the necessity of the new board we have no comment on its objectives. . . .").
[231] *See, e.g.*, Institute of Chartered Accountants in England and Wales (ICAEW) at 9 ("We agree with the boards (including the existing ones) being more strategic in nature."); Institute of Chartered Accountants of Scotland (ICAS) at 9 ("[W]e are supportive of the proposal that the focus of the new Board – and the IAASB and IESBA - should be more strategic in nature."); Institute of Chartered Accountants of Sri Lanka at 3 ("Existing IFAC Board should be addressed strategic issues in nature and at the Board discussions.").

(4) Standards Drafting

104. Many commenters agreed with the Monitoring Group's assertion that detailed standard drafting should not happen within the board.[232] However, other commenters believed it was impossible to remove the board from the drafting process.[233]

105. Many respondents emphasized the importance of hiring high-caliber professional staff, who would be able to shoulder more of the technical standard-drafting burden.[234] Various stakeholders commented that transferring such technical responsibility to the professional staff would require a greater quantity of staff with significant experience in the development of technical standards.[235] However, the Hong Kong Institute of Certified Public Accountants

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[232] *See, e.g.*, International Federation of Accountants (IFAC) at 13-14 ("[C]onsideration should be given to how the amount of detailed page-by-page drafting performed by the boards in plenary might be limited."); National Association of State Boards of Accountancy (NASBA) at 4 ("[A] significant amount of the IAASB's and IESBA's meeting time is dedicated to detailed page-by-page drafting of the standards, instead of focusing on key strategy and priorities."); Auditing and Assurance Standards Oversight Council of Canada (AASOC) at 8 ("[W]e would agree that the boards should not, for example, be drafting text itself (i.e., wordsmithing) during the course of a board meeting."); Comité de Integración Latino Europa - América (CILEA) at 4-5, Compagnie Nationale Des Commissionaires Aux Comptes and Conseil Superieur De L'Ordre Des Experts-Comptables of France at 4, and Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE) at 6 ("We agree that the Board members should not be directly involved in the drafting of the standards."); European Banking Authority (EBA) at 6 ("Being sufficiently technical does not mean that the board members should be drafting auditing standards.").

[233] *See, e.g.*, Institute of Chartered Accountants of Scotland (ICAS) at 3, 9 ("However, as standard setting boards, clearly they do have to take responsibility for matters of wording."); The Malaysian Institute of Certified Public Accountants at 3 ("The Institute agrees in principle the boards should have a more strategic orientation but still retaining their role and responsibility in the development and drafting of standards complemented and supported by the work of the technical staff."); Auditing and Assurance Standards Board of Australia (AUASB) at 6 ("Whilst we agree that board members roles should be more strategic in nature we consider that there still needs to be a direct role for board members in the standard-setting development process."); South African Institute of Professional Accountants (SAIPA) at 5 ("[T]he primary function of the board should be strategic and oversight, but the nature of the standard setting boards it requires the board to be actively involved [in] the standard setting process to ensure quality outputs and capacity development.").

[234] External Reporting Board, New Zealand (XRB) at 9 ("We agree the standard-setting board could be more strategic in nature and need not be so involved in detailed drafting, which may be left to an enhanced technical staff."); RSM International Ltd at 5 ("We accept that having a board with a strategic focus separate from the staff who carry out detailed drafting is a sensible division of daily responsibilities."); Wirtschaftsprüferkammer, Germany (WPK) at 11 ("The 'technical' development of the standards should be shifted to qualified staff."); Consiglio Nazionale Dei Dottori Commercialisti e degli Esperti Contabili (CNDCEC) at 5 ("[T]his kind of work should be delegated to the staff.").

[235] Ernst & Young Global Limited at 13 ("[T]his will require an 'up-scaled' staff (in both quantity and capabilities) with much more experience in the development of technical standards along with very clear

expressed concern that the Monitoring Group's proposed model did "not give confidence that a reduction in skills and experience at board level would be adequately compensated for by other elements of the model."[236] The Instituut van de Accountants en de Belastingconsulenten. Institut des Experts-comptables et des Conseils Fiscaux, Belgium (IAB-IEC) also expressed concerns about funding for such a "significant expansion of the amount of staff members," noting that "the corresponding funds . . . have not been arranged specifically in the proposition of the Monitoring Group."[237]

106. Some commenters specifically complained that the current process leads to lengthy and excessive argument over individual terms included in the standards.[238] Some commenters believed delegation of standard-writing to the professional staff could lead to more relevant and timely standard development.[239] However, several other commenters advocated for the board to maintain a role in the technical details of standard development.[240] Although the International Ethics Standards Board for Accountants recognized the value of a strategic approach, the IESBA did not believe such expediency should "be at the expense of careful consideration of the text of

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terms of reference for both the Board and the staff."); Junta de Decanos del Colegio de Contadores Públicos de Perú at 3 ("[I]n order for the Board to operate in this manner, this will require a staff with much more experience in the development of technical standards."); CPA Australia at 10 ("Focussing the boards on the more strategic issues may be an effective way of enabling the standard-setting process to be more timely, if that is done in conjunction with increased staff numbers, particularly staff of sufficient seniority to replace the expertise of the board, currently assisting with drafting."); European Banking Authority (EBA) at 6 ("In any case, in order to be able to pay sufficient attention to strategic aspects or important technical issues, the board should be supported by a permanent administrative and technical staff composed of experts able to discharge board members from all operational and procedural tasks such as the drafting of standards, legal and quality checks, and the running of public consultations.").

[236] Hong Kong Institute of Certified Public Accountants at 7.

[237] Institituut van de Accountants en de Belastingconsulenten. Institut des Experts-comptables et des Conseils Fiscaux, Belgium (IAB-IEC) at 5.

[238] *See* Consiglio Nazionale Dei Dottori Commercialisti e degli Esperti Contabili (CNDCEC) at 5 ("[W]e agree that there is need to improve the current situation where every single word is over weighted up."); HLB International at 4 ("It is true that as part of the current standards setting process, boards spend a lot of time with minute details such as fine-tuning the exact wording of standards."); Mr. Marc Pickeur at 2 ("Too much Board members' time is spent on detailed drafting during Board meetings. This struck me from the beginning I attended the Board meetings.").

[239] The Institute of Chartered Accountants of Pakistan (ICAP) at 5; International Forum of Independent Audit Regulators (IFIAR) at 2; Canadian Public Accountability Board (CPAB) at 5; but see Association of Certified Chartered Accountants (ACCA) at 8-9 ("However . . . greater resources and a more strategic board focus will not necessarily guarantee a faster standard-setting process.").

[240] *See, e.g.*, Mr. Jon Grant at 4 (questioning the Consultation Paper's emphasis on removing board members from discussions regarding standard details, recalling "many examples of Board members changing their positions after thorough debate of what initially appeared to be an obscure point of detail.").

standards," noting that "the effectiveness of a standard and its enforceability depend on the clarity of that text."[241] The Japanese Institute of Certified Public Accountants shared this concern, noting that "board members should take responsibility for the wording of the standards they set, as every single word is critical when standards are implemented."[242] Similarly, the Korean Institute of Certified Public Accountants worried that a solely strategic focus could "invite a circumstance where vague and broad standards are established, giving each jurisdiction a room for diversified interpretation, which exactly runs counter to the current concept of global convergence."[243] Additionally, the Independent Regulatory Board for Auditors, South Africa (IRBA) opined that "wordsmithing [is] critical to ensure that the intended requirements and guidance is conveyed, ambiguity is removed, that there is consistency of the use of certain terminology amongst the standards, drafting conventions have been complied with and that there is consistency in application."[244] Some commenters recommended that task forces could perform this essential wordsmithing.[245]

107. Several commenters believed that the board offered significant experience and knowledge essential to the standard-drafting process. One commenter opined that board members "bring a wealth of knowledge and experience to the drafting process."[246] The South African Institute of Chartered Accountants agreed, noting that acceptance of, recognition of, and confidence in the standards might decrease if the "technical capacity of the board [were] significantly reduced."[247] The Institute of Independent Auditors of Brazil agreed that the board could be more strategic, but did not believe the board should "relinquish its members' technical knowledge and capacity [such that the members] become hostages of a structure that will be created to support them in the development of standards."[248]

108. Many commenters believed that, even if the board did not engage in the initial standard drafting, the board was still responsible for reviewing, challenging (if necessary), and ultimately approving

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[241] International Ethics Standards Board for Accountants (IESBA) at 8.
[242] The Japanese Institute of Certified Public Accountants (JICPA) at 5.
[243] Korean Institute of Certified Public Accountants (KICPA) at 5 ("Rather, we suggest the [Monitoring Group] comes up with strategies that could be reflected into actual action.").
[244] Independent Regulatory Board for Auditors (IRBA) at 7.
[245] *Id.*; European Federation of Accountants and Auditors for SMEs (EFAA) at 4-5 ("We welcome the idea of the [standard-setting board(s)] being more strategic in focus and that much of the in-session drafting be replaced by staff and board members doing the bulk of the drafting in task forces.").
[246] RSM International Ltd at 5.
[247] South African Institute of Chartered Accountants (SAICA) at 6 ("The roles and responsibilities of each of these boards are highly specialised and require particular areas of expertise and skills. With one board there will not be an appropriate mix of experience and skills to ensure that the standards that are being approved are appropriate or are practical and implementable.").
[248] Institute of Independent Auditors of Brazil at 4.

the standards.[249] Several respondents expressed concern that board members retain sufficient technical skills to effectively review, understand, and make informed judgments regarding the standards.[250] Some commenters explicitly stated that "current audit practitioners" needed to be

[249] *See, e.g.*, International Federation of Accountants (IFAC) at 13 ("[U]ltimately the standard-setting boards members must read the standards in detail to be able to take responsibility for and approve them."); National Association of State Boards of Accountancy (NASBA) at 4 ("[B]oard members do need to read and understand drafts of standards."); RSM International Ltd at 5 ("[T]he board should still retain overall responsibility for the final standards and therefore, as a matter of good governance, a vital function of the board is to review and challenge the work of its staff."); Chartered Institute of Public Finance and Accountancy (CIPFA) at 10 ("It be will be difficult for board members to approve changes to standards without delving into at least some level of detail."); Comité de Integración Latino Europa - América (CILEA) at 5, Compagnie Nationale Des Commissionaires Aux Comptes and Conseil Superieur De L'Ordre Des Experts-Comptables of France at 6, and Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE) at 6 ("[T]he Board(s) should remain in command of each active project and each member should take full responsibility for the standards on which he/she will cast a vote."); Mr. Nick Hasyudeen at 4 ("While the members of the board should be focusing on strategy setting and ensuring high quality standards are adopted on a timely manner, their oversight over technical issue is also critical. Inherently, there could be issues which, it not dealt with decisively, would either unnecessarily prolonged the standard setting process or would result in compromised standards. Hence, board members should not leave these kind of issue to the executive staff to resolve."); HLB International at 4 ("[I]t is of the utmost importance that the board remains the final decision making body."); The Institute of Chartered Accountants of India (ICAI) at 8 ("However, the standards should be seen in detail by the Board members once finalised by staff, after strategic/conceptual issues are given by the Board.").

[250] *See, e.g.*, PwC at 17 ("Board members necessarily [must] have sufficient technical literacy to understand the issues and make informed judgments."); Committee of European Audit Oversight Bodies (CEAOB) at 3 ("[W]e also believe the board members need to have sufficient technical knowledge to be able to review and challenge the work of the staff, and to be able to examine the details of the standards when this becomes necessary."); Conselho Federal de Contabilidade (CFC) at 9 ("We do not know if a board working with a 'more strategic approach' will improve the entire process, since such boards will need to be technically qualified to review and approve standards rather than 'only' writing them."); CPA Australia at 10 ("CPA Australia cautions that the board members will still need to review the standards in a great level of detail in order to satisfy themselves of the quality of the technical content, particularly as the standards are being so widely adopted by national standard-setters, often without amendment."); Deloitte at 8 ("Notwithstanding a move of the boards to operate at a more strategic level, we believe that ultimately the board is responsible for the standards, and that each member of the board voting for or against the adoption of a proposed standard would have the responsibility to fully read and understand the proposed standard. . . . In order for each board member to fulfill this responsibility to understand each proposed standard, we believe that it will be essential for each standard-setting board member to have at least a basic understanding of auditing and ethics (in other words, be audit literate or ethics literate, as applicable)."); External Reporting Board, New Zealand (XRB) at 9 ("[T]he board will need members who have the necessary technical skills and competency to understand and critically review the technical content of the standards and agree wording in order for the board to approve the final standard."); Global Accounting Alliance (GAA) at 3-4 ("However we should not overlook that if the boards are to be publicly accountable for the standards they approve they cannot simply be 'strategic'. They must have sufficient understanding of the subject matter to, at a minimum, identify any fatal flaws."); Independent Regulatory

on the board to "understand the audit practicalities and processes or the implications of mandated procedures."[251] Professors from Brigham Young University and Case Western Reserve University in the United States submitted a joint comment that noted that they "s[aw] merit in allowing board members to be somewhat more strategically focused," but they could not "see a viable path to high quality standards with a board that lacks sufficient expertise and experience to engage in detail with the standards themselves."[252] The professors also questioned the Monitoring Group's "seemingly implicit assumption that individuals who have detailed technical expertise in auditing standards and auditing are unable to be highly effective at considering strategic issues."[253]

109. Several commenters expressed concern that the standard-setting process may become less transparent and accountable if the standard-setting board transfers technical drafting responsibilities to professional staff.[254] Some commenters specifically noted that this lack of transparency and accountability would be directly contrary to the Monitoring Group's "intention of reducing stakeholder influence at a board level through a multi-stakeholder composition."[255] The IAASB noted that such a shift could "potentially worsen[] transparency through having

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Board for Auditors, South Africa (IRBA) at 7 ("Oversight should be strategic but the SSBs should be technical and not rely only on the technical expertise of the secretariat.").

[251] Chartered Accountants Australia and New Zealand at 9; *see also* European Federation of Accountants and Auditors for SMEs (EFAA) at 5 ("[W]e believe it important that Board members be sufficiently close to the technical deliberations that they can challenge the work done by the staff and ultimately assume full responsibility for the output. Accordingly, Board members should be highly competent and have an intimate knowledge of audit and assurance either through direct practice or through close interaction with auditors."); HW Fisher & Company at 5 ("An essential component in ensuring that the standards are practical and that the requirements are achievable would seem to be to ensure that practising accountants retain a significant say in their drafting. The suggestions that: a) the board (or boards) be less involved in drafting issues; b) the board be dominated by non-auditors; and c) that the board need not seek consensus; would all seem to point to the development of standards which are increasingly voluminous, frequently change, and impractical to apply.").

[252] Dr. Steven Glover, Dr. Douglas Prawitt and Dr. Mark Taylor at 6.

[253] *Id.*

[254] *See, e.g.*, South African Institute of Chartered Accountants (SAICA) at 11-12 ("If the board is more strategic (or too strategic) and the detailed content of the standards is relegated to a staff function only, part of the transparency will be diminished."); External Reporting Board, New Zealand (XRB) at 9 ("One risk that may arise if technical details are handled by staff is that the process may become less transparent."); Provincial Auditor of Saskatchewan at 7 ("An IAASB, with diverse membership, provides a forum for diversity of thought, which is critical in standard setting and consideration of how the proposed changes fit within the assurance standards as a whole. Moving it to more strategic in nature, as proposed, and eliminating this layer seems contrary to the stated purpose of the proposed reforms (to act in the public interest).").

[255] *See, e.g.*, Instituut van de Accountants en de Belastingconsulenten. Institut des Experts-comptables et des Conseils Fiscaux, Belgium at 5.

relevant technical debates happening wholly outside of Board plenary discussions; instead, at the staff level where expert or other stakeholder influences may occur in a more unchecked manner, and where the current broad-based input of the task force model may not be replicated."[256] The IAB-IEC agreed that primarily shifting responsibility for technical input to the professional staff would "undermine the goal of enhancing confidence in the independence of the standard-setting model through active participation in multi-stakeholder boards and a multi-stakeholder governance and oversight body."[257] The Institute of Chartered Accountants of Nigeria expressed concern that delegation to the professional staff would "create backlash from the public because they would not be able to trust and rely on standards created within that context."[258] One commenter noted that the IAASB, as a "working (operating) board[] provides a forum for diversity of thought, which is critical in standard setting and consideration of how the proposed changes fit within the assurance standards as a whole."[259] The commenter believed a more strategic board seemed contrary to the Monitoring Group's stated purpose of the proposed reforms: to act in the public interest.[260]

110. Some stakeholders noted that increased involvement by current or former audit professionals could "arguably heighten the perceptions of undue influence by the accountancy profession."[261] The International Federation of Accountants noted that this concern existed "especially where staff are recruited or seconded directly from audit firms, and where task forces comprise largely those from the profession."[262] The Hong Kong Institute of Certified Public Accountants (ICPA) believed that the proposal to increase the number of professional staff "would have to look to the major audit firms as the main source of appropriately skilled individuals."[263] The Hong Kong ICPA did not believe this would have a "positive effect on the [Monitoring Group's expressed concern regarding] perception of the profession's influence in standard setting."[264]

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[256] International Auditing and Assurance Standards Board (IAASB) at 3.
[257] Instituut van de Accountants en de Belastingconsulenten. Institut des Experts-comptables et des Conseils Fiscaux, Belgium at 5 ("By shifting the technical input from the boards to the staff level, transparency and accountability will be reduced. The relevant technical debates will be happening outside of plenary discussions at the staff level, where the impact of stakeholder influences could be exaggerated without having been properly assessed. This is contrary to the intention of reducing stakeholder influence at board level through a multi-stakeholder composition.").
[258] The Institute of Chartered Accountants of Nigeria (ICAN) at 3.
[259] Provincial Auditor of Saskatchewan at 7.
[260] *Id.*
[261] *See, e.g.*, International Federation of Accountants (IFAC) at 18.
[262] *Id.* at 18.
[263] Hong Kong Institute of Certified Public Accountants (HKICPA) at 7.
[264] *Id.*

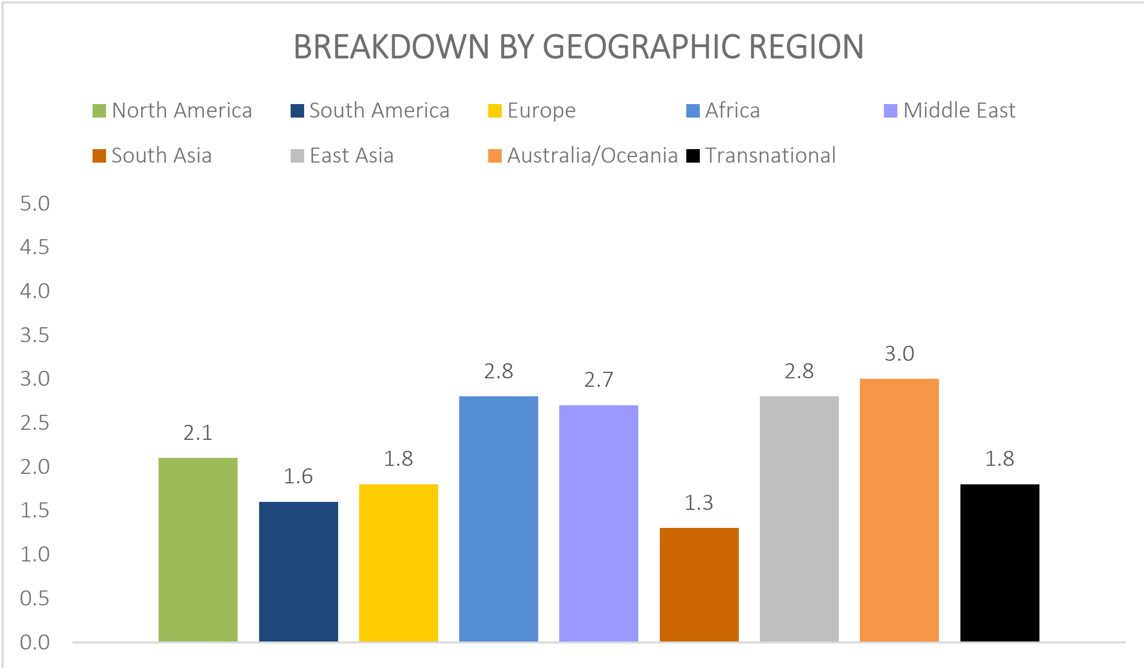
H. Remuneration Of Board Members

111. The vast majority of commenters (81) supported the Monitoring Group's proposal to remunerate standard-setting board members. Nineteen commenters disagreed with the Monitoring Group's proposal, and 7 commenters were neutral.

112. Of the comments submitted, 107 touched on the issue of remuneration for board members. These 107 comments were assigned a score of 1 to 5, with 1 representing strong support for remuneration of standard-setting board members, and 5 representing strong opposition to standard-setting board members. Specifically, 49 were rated with a score of 1 (agreeing with the proposal without qualification); 32 were rated with a score of 2 (agreeing with the proposal with some qualification); 7 were rated with a score of 3 (neutral or taking no position on the proposal); 5 were rated with a score of 4 (disagreeing with the proposal with some qualification); and 14 were rated with a score of 5 (disagreeing with the proposal without qualification). Thus, 81 commenters generally agreed with the proposal to remunerate board members and 19 commenters generally disagreed with the proposal. Overall, the comments averaged a score of 2.1, indicating that the comments generally agreed with remunerating board members.

(1) Breakdown By Geographic Region

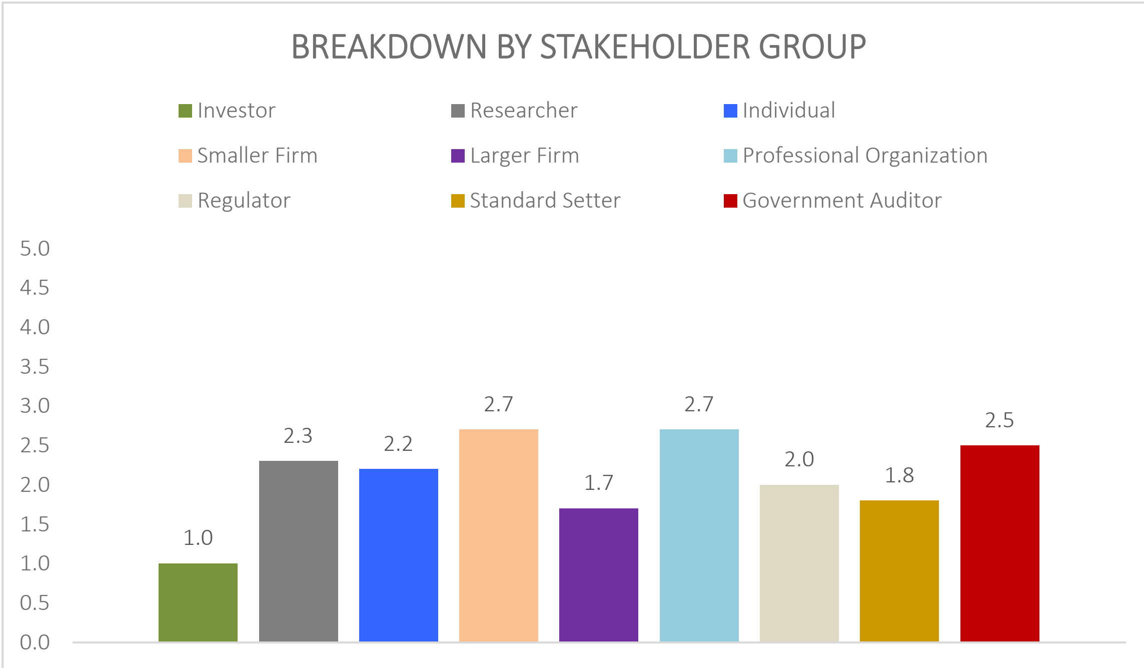
113. Stakeholders from South Asia and South America were most in favor of the Monitoring Group's proposal for board remuneration, with average scores rated as 1.3 (agreeing with the proposal without qualification) and 1.6 (agreeing with the proposal with some qualification), respectively. Among commenters from the South Asia, South America, Europe, and North America regions, more than 80% of the commenters were in favor of the proposal. Stakeholders from Australia/Oceania appeared to be generally neutral in relation to the proposal, with average scores rated at 3.0 (neutral).



- 5 (disagreed without qualification that the members of the standard-setting board should be remunerated)
- 4 (disagreed, but with qualifications, that the members of the standard-setting board should be remunerated)
- 3 (was ambivalent with respect to whether the members of the standard-setting board should be remunerated)
- 2 (agreed, but with qualifications, that the members of the standard-setting board should be remunerated)
- 1 (agreed without qualification that the members of the standard-setting board should be remunerated)

(2) Breakdown By Stakeholder Group

114. Investors were most in favor of the Monitoring Group's proposal to remunerate board members, with an average score of 1.0. Among commenters from the investor, large audit firm, standard setter, individual, researcher, and regulator stakeholder groups, 70% or more agreed with this proposal.



- 5 (disagreed without qualification that the members of the standard-setting board should be remunerated)
- 4 (disagreed, but with qualifications, that the members of the standard-setting board should be remunerated)
- 3 (was ambivalent with respect to whether the members of the standard-setting board should be remunerated)
- 2 (agreed, but with qualifications, that the members of the standard-setting board should be remunerated)
- 1 (agreed without qualification that the members of the standard-setting board should be remunerated)

(3) Reasons For And Against Remuneration Of Board Members

115. Many respondents viewed remuneration of board members as an opportunity to attract high-quality candidates.[265] However, Institute of Chartered Accountants in England and Wales (ICAEW) believed that it was an "important feature of a successful standards-setting process for most board members to spend most of their time in the wider community to ensure that the process benefits from [the board members'] wider experience" and that board members "focus attention on work that is actually needed."[266] The Office of the Auditor General of Canada (OAG Canada) believed that "[c]ompetent individuals that are in high demand in their respective professions are unlikely to be willing or able to serve only the board to the exclusion of other

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[265] *See, e.g.*, World Council of Credit Unions (WOCCU) at 3 ("World Council also supports remunerating members of the board in order to attract and retain the best qualified individuals to help develop international standards."); Canadian Public Accountability Board (CPAB) at 5 ("[R]emuneration of board members is important to ensure the attraction of the best quality of board members.").
[266] Institute of Chartered Accountants in England and Wales (ICAEW) at 9.

processional activities."[267] OAG Canada commented that "[i]t is often this professional association that drives and sustains the competencies the board desires."[268] Similarly, OAG Canada noted that "[r]emuneration of a board member also implies a break in employment from a board member's current employer," noting that this "could have significant economic repercussions to an individual" that would have "a negative impact on the pool of potential board members and could serve to reduce, not improve, the overall performance of the board."[269]

116. Many commenters also believed remuneration would attract candidates from geographically, economically, and professionally diverse backgrounds.[270] Some commenters noted that remuneration could be used to attract highly experienced and qualified members, like audit committee members, investors, regulators and preparers, or former or retired auditors, who "may not be willing or able to commit the necessary time on a voluntary basis."[271] Several commenters noted that remuneration might attract board members from outside of the audit profession.[272] However, the Association of Certified Chartered Accountants (ACCA) stated that it

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[267] Office of the Auditor General of Canada at 4.
[268] *Id.*
[269] *Id.*
[270] *See e.g.*, KPMG at 9 (supporting remuneration to "attract a high-calibre membership drawn from a broad stakeholder base"); Malaysian Institute of Accountants (MIA) at 3 (supporting remuneration "if remunerating members of the board will assist in attracting high quality candidates and encourage greater diversity in membership of the board, which facilitates more diversity of views and robust discussions); PwC at 17 (stating that remuneration would enable the board(s) "to attract members of high stature from all of the key stakeholder groups who can more effectively participate on an equal footing with one another – which is important to addressing the perceptions of unequal influence in the standard setting process"); European Federation of Accountants and Auditors for SMEs (EFAA) at 5 ("This could help to attract qualified members who lack the support of a large employer.").
[271] Deloitte at 8. *See also, e.g.*, Junta de Decanos del Colegio de Contadores Públicos de Perú at 3 ("[P]roviding remuneration for Board members is likely to enable the Board to attract the highly-experienced and qualified members who otherwise may not choose or be able to serve on the Board."); Dr. Steven Glover, Dr. Douglas Prawitt and Dr. Mark Taylor at 6 (supporting remuneration to "facilitate the participation of board members with deep expertise in auditing and financial reporting but who are free of influences that might affect objectivity.").
[272] *See, e.g.*, Sarasin and Partners LLP at 4 (supporting remuneration "to attract candidates from outside the audit profession and reduce the reliance on practitioners who are funded by it"); Zambia Institute of Chartered Accountants (ZICA) at 4 ("remuneration may attract more members of the public and non-accountants to the board"); Conselho Federal de Contabilidade (CFC) at 9 ("[W]e do not oppose to the remuneration for the board members since this may attract non-practitioner and public members to the role); European Securities and Markets Authority (ESMA) at 2–3 ("ESMA also agrees that in order to be able to attract the right expertise and ensure independence of the Board from the audit industry, the members of the Board should be remunerated at a level commensurate with their expertise and time commitment.").

was “unclear that a lack of remuneration is the key obstacle to recruiting suitable board members from under-represented groups, including the investment community.”[273]

117. Several respondents also believed remunerating board members would enhance accountability and decrease the appearance and/or effect of a lack of independence from the audit profession.[274] One commenter noted that remuneration of board members “is an important step as board members will no longer be reliant on the financial support of a sponsoring organisation, and their independence will be enhanced as a result.”[275] Two respondents believed that remuneration would provide greater clarity, transparency, and objectivity, especially as compared to in-kind contributions.[276] The Abu Dhabi Accountability Authority (ADDA) believed that remunerating board members and their staff would “h[o]ld [them] accountable for their acts and decisions,” which the ADDA believed would “bring a significant change to the efficiency and effectiveness of the standard setting model.”[277] However, the Zambia Institute of Chartered Accountants believed that “remunerating board members may bring in potential issues of self interest.”[278] In contrast, OAG Canada believed that remuneration would have “no significant impact” on a board member’s independence, since board members may come from and return to the same profession or industry group after serving on the board.[279] Relatedly, one

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[273] Association of Certified Chartered Accountants (ACCA) at 8–9.

[274] *See, e.g.*, Office of the Auditor General of Alberta at 6-7 (“Remunerating Board members may require severing existing employment ties, which would focus the member on their Board role, and reduces the risk that the Board member considers their privilege of serving the public interest on the body that sets global auditing standards as secondary to their “real job” that they have retained.”); Dr. Steven Glover, Dr. Douglas Prawitt and Dr. Mark Taylor at 6 (“We also see merit in considering remuneration for more board members . . . to increase the independence . . . of board members.”); Tokiko Yokoi at 2 (proposing that board members should retire from their organizations and receive remuneration from the board); Public Interest Oversight Board (PIOB) at 4 (“This is necessary to monitor the work of the staff of the standard setting board, made up primarily of members of the profession.”).

[275] Financial Reporting Council (FRC), UK at 5; *see also* Association of National Accountants of Nigeria (ANAN) at 2 (“Remunerating members of the board is also important to enable independence from sponsoring organization.”); Crowe Horwath International at 5 (“Remunerating members . . . achieves accountability[] and eliminates the reliance on employers for support.”).

[276] CA ANZ and ACCA at 9 (“Remuneration introduces clarity and transparency (compared to in kind contribution). However, the practicalities of being able to offer sufficient remuneration to attract appropriately experienced people will be an issue.”); CPA Australia at 10 (“Remuneration of the board members will create greater objectivity and transparency as compared to in-kind contributions, provided sufficient funding can be secured.”).

[277] Abu Dhabi Accountability Authority (ADDA) at 2; *see also* The Institute of Chartered Accountants of Pakistan (ICAP) at 5 (supporting remuneration to alter the perception of association with the boards).

[278] Zambia Institute of Chartered Accountants (ZICA) at 4.

[279] Office of the Auditor General of Canada at 4.

commenter noted that remuneration of otherwise-employed audit personnel could result in an in-kind contribution by the accounting firm.[280]

118. Some commenters acknowledged that board members merited payment "in recognition of the serious responsibilities they assume."[281] Other commenters believed that remuneration would enhance board members' performance and productivity.[282] However, several commenters believed that volunteer members are "truly committed to developing high quality audit, assurance, and ethical standards" and worried that remuneration "may change the motivation of individuals who wish to participate in [standard-setting boards]."[283] One commenter also suggested that remuneration would result in a decrease in board quality, opining that it would "bring[] the risk of lack of current business experience by at least a third of the board membership."[284]

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[280] AFROSAI-E at 6.

[281] Sia Management Consulting, Dubai at 4. *See also* Society of Certified Accountants and Auditors in Kosovo (SCAAK) at 5 ("Since being a board member requires time dedication, knowledge, high expertise, being up-to-date, in our opinion we support that board members should be remunerated."); Kingston Smith LLP at 5 ("The time commitment for a board member is significant and we can therefore see some argument for board members being remunerated."); Crowe Horwath International at 5 ("Remunerating members recognises their contribution directly.").

[282] *See, e.g.*, Office of the Auditor-General for the Federation, Nigeria at 3 ("[M]embers of the Board should be remunerated (paid allowances) to enhance productivity"); Benin Institute of Chartered Accountants (OECCA-BENIN) at 2 ("OECCA-BENIN supports Board members being remunerated for better outcomes."); Institute of Chartered Accountants of Pakistan (ICAP) at 5 (supporting remuneration because it would "bolster . . . commitment.").

[283] Kingston Smith LLP at 5; AFROSAI-E at 6. *See also* Korean Institute of Certified Public Accountants (KICPA) at 5 ("The remuneration will make the current meaningful contribution and commitment from various sectors only fade away, and make it just as another job. The [Monitoring Group] needs to think over whether their propriety goes to serving the public interest or creating another job position of standard-setting."); Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE) at 6 ("In principle, we do not agree with remunerating the members of the Board, supporting an altruist and voluntary work, without detriment to the degree of commitment and quality of the standards developed."); Ahmed Zakari & Co. Nigeria at 2 ("The Accounting profession has always worked on volunteer basis and we think the current model should be maintained."); The Institute of Chartered Accountants of Nigeria (ICAN) at 3 ("The assignment of the board members should not be remunerated in order not to attract the wrong persons. It is individuals motived by altruism that would do the job better and not those driven by perks of office.").

[284] Chartered Accountants Australia and New Zealand at 10; *see also* Consiglio Nazionale Dei Dottori Commercialisti e degli Esperti Contabili (CNDCEC) at 5 (opposing remuneration, as it may "pay[] people to think and not to work").

119. Several commenters questioned the necessity of remunerating board members altogether.[285] Some commenters did not believe the Monitoring Group Consultation Paper sufficiently proved that board remuneration is necessary to attract and maintain quality candidates.[286] In particular, one commenter argued that the IAASB, which only has one paid board member, developed standards at a substantially faster rate than the U.S. Public Company Accounting and Oversight Board (PCAOB), even though the PCAOB is composed entirely of full-time, remunerated staff.[287]

(4) Remuneration Logistics

120. Many commenters, especially large accounting firms, agreed that the offered remuneration should be based on market-comparable rates with boards of similar natures and responsibilities.[288] One commenter expressed concern about the board's ability to offer sufficient remuneration to attract appropriately experienced people.[289] Some commenters believed that, at a minimum, board members' travel expenses should be reimbursed; one commenter believed it would be easier to attract nominations of individuals from outside of accounting firms if the travel expenses were automatically covered.[290] One commenter disagreed that the board members should be remunerated, but believed they should be paid "some honorarium."[291]

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[285] *See, e.g.*, Korean Institute of Certified Public Accountants (KICPA) at 5 ("[W]e see no benefit of it, since no issues or problems have been witnessed under the current model.").

[286] *See, e.g.*, Association of Certified Chartered Accountants (ACCA) at 8–9 ("[W]e do not believe that the case for remunerating members of the board has been made."); Provincial Auditor of Saskatchewan at 7 ("About remuneration, the paper does not clearly indicate whether the current international standard-setting models are encountering problems recruiting and retaining high-quality candidates (particularly from outside of the audit profession, and smaller sized entities) in its use of a volunteer-based model."); Asean Federation of Accountants (AFA) at 5 ("[W]e question the urgency of the proposition, particularly considering the current success that IFAC has built in obtaining buy in from stakeholders in supporting the current standard-setting platform."); Moore Stephens International Ltd – MSIL at 6 (stating that the Monitoring Group did not demonstrate resulting benefits of remunerating board members in the Consultation Paper); Auditing and Assurance Standards Board of Australia (AUASB) at 9 ("We support board members being remunerated *if* this is determined to be a key factor in attracting and retaining the best board members possible.") (emphasis added).

[287] Professor Steven Salterio at 9–10 ("There is no evidence that full-time pay makes a difference in standard setting quality.").

[288] *See, e.g.*, Grant Thornton International at 10; Institute of Independent Auditors of Brazil (IBRACON) at 4; PwC at 17; Austrian Financial Reporting and Auditing Committee (AFRAC) at 5; Junta de Decanos del Colegio de Contadores Públicos de Perú at 3; Deloitte at 8; Ernst & Young Global Limited at 13.

[289] CA ANZ and ACCA at 9.

[290] *See, e.g.*, Investment Association (the IA) at 2; AFROSAI-E at 6; *but see* Ms. Mira Makar at 3 (opposing remuneration, save for "reimbursement of modest unavoidable out of pockets where [the board] member is impoverished and could not serve without such reimbursement").

[291] Association of Accountancy Bodies in West Africa (ABWA) at 2.

121. Several respondents expressed concern about employing both full-time and part-time board members. The Certified Public Accountants of Ireland and RSM International Ltd. stated that such a practice could create a dysfunctional board.[292] The Auditing and Assurance Standards Oversight Council of Canada expressed similar concerns, noting that it did not "consider such bifurcating practices to be examples of good governance."[293] The PIOB wrote in its comment letter that all board members should be full-time and remunerated.[294] The European Banking Authority stated that fees should vary based on whether board members are full-time or part-time, but then opined that "all board members should be paid the same amount because the expertise and time commitment are expected to be the same."[295] Another commenter supported remuneration for full-time members and reimbursement of travel costs for part-time members.[296] Yet another commenter opposed full-time remuneration, except for the chairman of the board.[297]

122. Many respondents raised the issue of funding for the proposed structure in the Consultation Paper in conjunction with the issue of board remuneration.[298] Several commenters stated they were in support of board remuneration, but only if the funding issue was resolved.[299] Other commenters

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[292] Certified Public Accountants of Ireland at 7 ("The proposal of some members being employed full time and others part time has the possibility of creating a dysfunctional board."); RSM International Ltd at 5 ("However we caution that having paid full time members and volunteer part time members could result in a two-class system whereby the valid opinions of part time members are not fully considered due to the time constraints associated with their part-time engagement."); *see also* International Federation of Accountants (IFAC) at 18–19 ("[Employing some board members full-time and other part-time] potentially creates a two-tier structure and risks both dysfunction and the opportunity for undue influence to be exercised by the three full-time members.").

[293] Auditing and Assurance Standards Oversight Council of Canada (AASOC) at 8–9.

[294] Public Interest Oversight Board (PIOB) at 7.

[295] European Banking Authority (EBA) at 6–7.

[296] The Institute of Chartered Accountants of India (ICAI) at 8–9.

[297] Baker Tilly International at 4.

[298] *See, e.g.*, International Federation of Accountants (IFAC) at 19 ("[I]t is not clear how . . . such arrangements would be sustainably funded."); Association of Certified Chartered Accountants (ACCA) at 8 ("The foundation for this will be development of a sustainable funding model."); The Japanese Institute of Certified Public Accountants (JICPA) at 5 ("[R]emuneration for board members should be determined only after a careful calculation of expected costs for entire standard-setting activities is conducted against the actual funding available."); Public Accountants Council for the Province of Ontario at 3–4 ("A model should be developed to address the cost questions. The current model uses extensive time of volunteers, mostly from public accounting firms. It actually may be more cost effective to replace volunteer time, and the associated travel costs, with a professional staff model.").

[299] *See, e.g.*, Mr. Mark Spofforth at 11–12 ("If sustainable funding could be provided from outside the profession then of course contributors should be paid."); South African Institute of Chartered Accountants (SAICA) at 12–13 ("If the funding is available, it appears to be an attractive solution. Herein lies the problem, since the overall funding model is unclear, unexplored and uncertain."); Accountancy Europe at 8 ("[B]oard members can be remunerated if the relevant funding is secured."); Comité de Integración Latino

declined to comment on remuneration until the funding model is solidified.[300] For further discussion of comments regarding board funding, see Section III.K below.

I. The Standard-Setting Boards' Voting Procedures

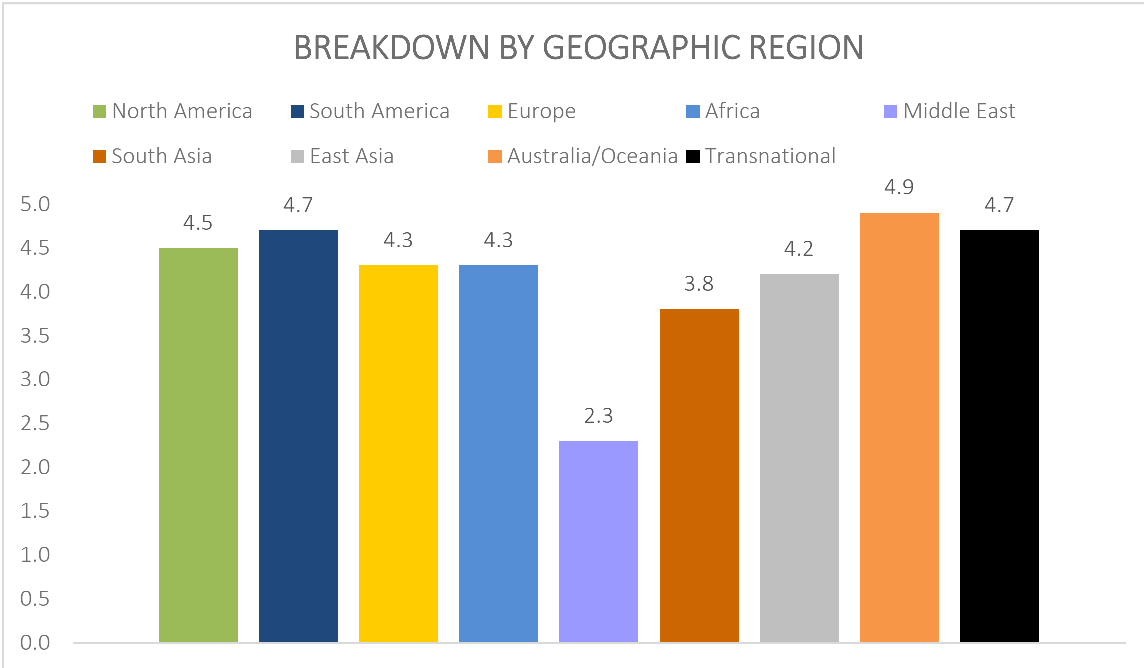
123. The vast majority of commenters addressing this topic area disagreed with the Consultation Paper's proposal to transition the required majority for passing or repealing standards from a qualified two-thirds majority to a simple majority. Twenty respondents agreed with the Monitoring Group's simple majority voting proposal; 4 respondents were neutral or did not express an opinion. Of commenters that expressed a preference on the standard-setting boards' voting procedures, 79 commenters were in support of some enhanced, qualified, or super majority voting rule. An additional 12 commenters were in favor of consensus or unanimity. Overall, the comments averaged a score of 4.3, indicating fairly widespread opposition to this proposal.

(1) Breakdown By Geographic Region

124. Stakeholders from the Middle East were most supportive of the proposal, with an average score of 2.3 (between agreeing with some qualification and neutral). Stakeholders from Australia/Oceania and South America were least supportive of the proposal, with average scores of 4.9 and 4.7 (disagreeing without qualification), respectively. Among stakeholders from the East Asia, South Asia, Africa, Europe, Australia/Oceania, South America, North America, and transnational regions, more than 65% of commenters disagreed with the proposal to change the board's voting procedures to a simple-majority voting rule.

Europa - América (CILEA) at 5 ("We agree in principle with remunerating Board members but the cost effectiveness of the model should be challenged through an impact assessment which is yet to be conducted."); European Group of International Accounting Networks and Associations (EGIAN) at 6 ("In principal, we would support appropriate remuneration for board members, and certainly for the chair if full-time, but this is clearly dependent on the relevant funding being secured."); HLB International at 5 ("We agree in principle that board members should be remunerated. However, we would have appreciated some detail on what exactly this remuneration is going to look like as part of an impact assessment.").

[300] *See, e.g.*, Institute of Indonesia Chartered Accountants (IAI) at 4 ("[A]ny proposal to support reform of this significance should convince the stakeholders that sources of funding have been identified and can be viably obtained."); Nordic Federation of Public Accountants (NRF) at 6 ("We have chosen not to consider the remuneration of board members at this stage, pending further consideration of any proposed funding model."); RSM International Ltd at 5 (refusing to comment conclusively until a funding mechanism is set forth).

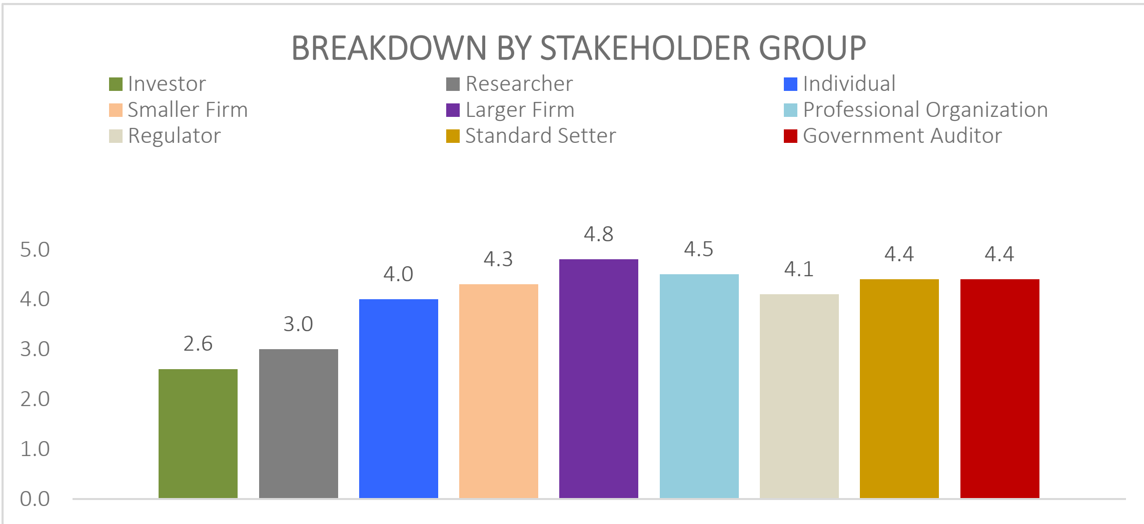


- 5 (disagreed without qualification that the standard-setting board should pass or repeal standards using a simple-majority voting rule)
- 4 (disagreed, but with qualifications, that the standard-setting board should pass or repeal standards using a simple-majority voting rule)
- 3 (was ambivalent with respect to whether the standard-setting board should pass or repeal standards using a simple-majority voting rule)
- 2 (agreed, but with qualifications, that the standard-setting board should pass or repeal standards using a simple-majority voting rule)
- 1 (agreed without qualification that the standard-setting board should pass or repeal standards using a simple-majority voting rule)

(2) Breakdown By Stakeholder Group

125. Investors were most in favor of the proposal to change the voting rule to a simple majority, with an average score of 2.6 (between disagreeing with some qualification and neutral). Large audit firms, professional organizations, government auditors, standard setters, and professional organizations were most opposed to the proposal, with average scores of 4.8 (disagree without qualification), 4.5 (between disagree with and without qualification), 4.4 (between disagree with and without qualification), and 4.4 (between disagree with and without qualification),

respectively.[301] More than 70% of stakeholders from small audit firms, large audit firms, professional organizations, standard setters, and government auditors disagreed with the Monitoring Group's proposal to change the voting rule to a simple-majority vote.



○ 5 (disagreed without qualification that the standard-setting board should pass or repeal standards using a simple-majority voting rule)
○ 4 (disagreed, but with qualifications, that the standard-setting board should pass or repeal standards using a simple-majority voting rule)
○ 3 (was ambivalent with respect to whether the standard-setting board should pass or repeal standards using a simple-majority voting rule)
○ 2 (agreed, but with qualifications, that the standard-setting board should pass or repeal standards using a simple-majority voting rule)
○ 1 (agreed without qualification that the standard-setting board should pass or repeal standards using a simple-majority voting rule)

(3) Voting Process Preferences

126. Many commenters expressed preference for consensus.[302] The Investment Association, however, expressed concern that the current consensus process "can also mean that too much

[301] We note that only 3 smaller accounting firms submitted comments addressing the change to the standard-setting boards' voting procedures; this sample size may be too small to provide an accurate extrapolation of the overall view of smaller accounting firms.
[302] *See, e.g.*, The Japanese Institute of Certified Public Accountants (JICPA) at 6 ("We believe that the reason why the non-binding international standards set under the existing model have been adopted in numerous jurisdictions around the world is that careful consensus-building has been conducted among a large number of interested parties."); MNP LLP, Canada at 3 ("We believe that consensus and quality of

has to be compromised."[303] And 2 comment letters noted that the board should not "necessarily aim[] for unanimity at any price."[304] Several respondents believed that a qualified majority of two-thirds should only be used in exceptional or emergency cases.[305] Professor Steven Salterio of the Queens University Smith School of Business in Canada believed independent research existed demonstrating that a simple majority is not "the adequate basis for ensuring strong, effective and efficient regulation."[306] The Eumedion Corporate Governance Forum, however, believed that due process in the standard-setting process was a better safeguard than requiring a qualified majority vote.[307]

127. Although some commenters acknowledged that seeking consensus can be time-consuming and cumbersome,[308] other commenters did not believe that speed of approval would be improved under a simple majority standard.[309] Several commenters did not believe timeliness alone was a

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standards is paramount."); Society of Certified Accountants and Auditors in Kosovo (SCAAK) at 6 ("We believe that the success of the current model in having standards adopted across the world is mostly due to this consensus approach in reaching decisions by standard setting boards."); Government Accountability Office, U.S.A. (GAO) at 5 ("We support the board's practice of unanimous approval and believe that consensus helps to drive acceptance and adoption of the standards internationally.").

[303] Investment Association (the IA) at 5.

[304] Comité de Integración Latino Europa - América (CILEA) at 6; Compagnie Nationale Des Commissaires Aux Comptes and Conseil Superieur De L'Ordre Des Experts-Comptables of France at 11.

[305] Institute of Independent Auditors of Brazil (IBRACON) at 4 ("We believe that standards should be approved by consensus and only in exception cases and absolute emergency, the voting with a majority representing more than 2/3 of the composition of the board should be used."); Instituut van de Bedrijfsrevisoren. Institut des Réviseurs d'Entreprises, Belgium at 3 ("IBR-IRE therefore recommends that, where a consensus has not been reached, a simple majority would be required from each of the three groups composing the board or alternatively a qualified majority of at least 75% of the members."); International Ethics Standards Board for Accountants (IESBA) at 9 ("The IESBA believes that, where consensus is not achievable (which any well-chaired Board should seek to achieve), a standard should be adopted provided that it is approved by an enhanced majority.").

[306] Professor Steven Salterio at 10. Professor Salterio also complained that there was a "curious lack of evidence" in the Monitoring Group's Consultation Paper "in a report that calls for standard setters to be evidence based."

[307] Eumedion Corporate Governance Forum at 3.

[308] *See, e.g.*, International Corporate Governance Network (ICGN) at 3 ("[S]eeking consensus among all board members . . . would appear to be challenging, and could potentially result in inefficiencies or a more cumbersome decision making process in the event there are one or two dissenting voices."); Association of Certified Chartered Accountants (ACCA) at 9 ("[W]e are sympathetic to the [Monitoring Group's] desire for speedier standard-setting."); Investment Association (the IA) at 5 (stating that a voting scheme requiring consensus "can . . . mean that . . . timeliness is impacted").

[309] *See, e.g.*, International Auditing and Assurance Standards Board (IAASB) at 7 ("It is doubtful that an absolute majority basis (10 out of 18) would accelerate the process in any meaningful way."); Auditing and Assurance Standards Oversight Council of Canada (AASOC) at 9 ("Having only a majority vote to issue an exposure draft or standard runs the risk of slowing down the process as this may reflect a lack of support

sufficient reason to reduce the required vote to a simple majority.[310] One commenter suggested that timeliness could be appropriately addressed and improved by making the board's focus more strategic and expanding the board's professional staff, but not by adopting standards on the basis of a simple majority.[311]

128. Many commenters worried that the Monitoring Group's proposed simple-majority standard could allow one group to approve a pronouncement without support from the other groups, or could alienate or disenfranchise particular stakeholder groups.[312] Several commenters noted that the board's multi-stakeholder composition is crucial to ensuring that each stakeholder's voice is heard.[313] IFAC and Conselho Federal de Contabilidade (CFC) found the Monitoring

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by constituents. This could lead to having to reexpose proposals, which ultimately will slow down the process. AASOC does not see any evidence in the Consultation Paper that a simple majority vote would significantly speed up the standard-setting process."); Mr. Jon Grant at 5 ("[T]his may not speed up the development process much. As with the IAASB, in practice a chair is likely to wish to seek the unanimous support of the Board."); Deloitte at 8 ("It appears that this recommendation is based on a premise that this change will speed up the process of standard setting. We do not believe that the timeliness will be improved by the boards adopting standards for issuance on the basis of a majority vote if broad-based consensus is not reached.").

[310] *See, e.g.*, Malaysian Institute of Accountants (MIA) at 3 ("[T]he drive for timeliness in adopting a standard should not be made at the expense of reducing efforts to reach consensus and outreach efforts to achieve global acceptance of the resulting standards."); Wirtschaftsprüferkammer, Germany (WPK) at 11 ("The standards should not be adopted on the basis of a majority vote in order to avoid an unnecessary prolongation of the standard-setting process."); External Reporting Board, New Zealand (XRB) at 9-10 ("We do not consider the quality of a standard, or views from the board as a whole, should be sacrificed in order to shorten the time for issuing standards."); HW Fisher & Company at 6 ("It is more important the standards are realistic and widely accepted than that they can be imposed quickly.").

[311] Ernst & Young Global Limited at 14.

[312] *See e.g.*, The Institute of Chartered Accountants of Pakistan (ICAP) at 6 (concerned about "avoid[ing] any sense of alienation"); Institute of Cost and Management Accountants of Bangladesh (ICMAB) at 3 ("This means no one group (practitioners, non-practitioners, or public members) can approve a pronouncement without at least some support from other groups. It will ensure multi-stakeholders support in adopting new standards."); Public Accountants Council for the Province of Ontario at 4 ("[A] simple majority may not be sufficient to represent the consensus of members."); RSM International Ltd at 5 ("Moving to a simple majority vote would dilute this process and could mean that the valid concerns of individual stakeholders or groups of stakeholders representing a common constituent type are not properly discussed and resolved.").

[313] *See, e.g.*, Asean Federation of Accountants (AFA) at 6 ("[I]t is also important to ensure that composition of the board is based on an independent multi-stakeholder arrangement, where there is no single group of stakeholders that can have undue influence over the board."); Institute of Singapore Chartered Accountants (ISCA) at 3 ("We agree for standards to be adopted on the basis of a majority, subject to the composition of the boards being multi-stakeholder and independent, i.e. no single group of stakeholder has majority of the board."); The Malaysian Institute of Certified Public Accountants at 5 ("[The standard-setting board should use] a high enough percentage threshold for approval of standards to ensure no single

Group's combined proposals for both a smaller board membership and a simple majority "potentially problematic," characterizing the change as "contrary to the notion of international standard setters gaining consensus over time—that is, persuading national jurisdictions through technical credibility, representativeness, and thoroughness of due process."[314] IFAC also believed a simple majority would "heighten[] the perception of undue influence being able to be exerted in standards development."[315] The Association of Certified Chartered Accountants (ACCA) expressed a similar view, believing the standards should "maintain[] a unitary concept of audit that encompasses listed and unlisted companies and both the private and public sectors."[316] Wirtschaftsprüferkammer, Germany believed that a qualified majority was necessary to ensure that none of the stakeholder groups of the board(s) can be overruled, "[g]iven the heterogeneous composition of the board(s), i.e. users, regulators and auditors."[317] Another commenter asked how the Monitoring Group's proposal would guarantee that the composition of the board would prevent the board from "being hijacked" by Western- or Euro-centric members or other special interest groups.[318] One commenter indicated that "the voting requirements should be accompanied by effective due process procedures that require the views and legitimate concerns of all stakeholders to be appropriately taken into account."[319] This commenter suggested that the board could understand the needs and views of stakeholders "on a more timely and ongoing basis through . . . the Board's use of enhanced advisory and outreach functions."[320]

129. Many commenters stated that the standard-setting process needs to take minority views into account, and expressed concern that a simple majority vote could "lead to the systematic exclusion of views of specific members or groups of members."[321] Some commenters specifically

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stakeholder group or geographical region can by itself effect approval of the standards."); Zambia Institute of Chartered Accountants (ZICA) at 4 ("This ensures that no single group can approve new pronouncements without support from other groups."); CPA Australia at 11 ("A simple majority may allow the views of certain stakeholder groups to dominate decisions and does not necessitate resolution of the concerns of the minority before a standard is approved.").

314 International Federation of Accountants (IFAC) at 19; Conselho Federal de Contabilidade (CFC) at 9.

315 IFAC at 19; *see also* Chartered Institute of Public Finance and Accountancy (CIPFA) at 10 (attempting to "avoid situations where a specific stakeholder group is able to exert undue influence").

316 Association of Certified Chartered Accountants (ACCA) at 9.

317 Wirtschaftsprüferkammer, Germany (WPK) at 11; *see also* Finanstilsynet at 2 ("With a board comprised of three groups of stakeholders with potentially divergent objectives, a simple majority vote could lead to one stakeholder group being overruled.").

318 Mr. Mark Spofforth at 12.

319 Ernst & Young Global Limited at 14.

320 *Id.*

321 Nordic Federation of Public Accountants (NRF) at 6, 11 ("The exclusion of significant minority views can undermine trust and the adoption of standards at a global level."); *see also* Institute of Chartered Accountants of Sri Lanka at 3 (encouraging the board to adequately hear minorities); Association of Certified Chartered Accountants (ACCA) at 9 ("[I]f the [Monitoring Group] is to insist upon majority voting,

worried that the Monitoring Group's proposal could impact the role of minorities, such as SMEs and SMPs, and emerging economies in contributing to standard setting.[322] To prevent such fracturing, several commenters proposed alternative solutions to even a qualified majority. Some commenters suggested that the board also require at least one member from each stakeholder group to vote in approval.[323] The Canadian Public Accountability Board recommended requiring that no identifiable stakeholder group, such as regulators, objects to the proposal.[324] Similarly, the European Group of International Accounting Networks recommended that the qualified majority should include at least half of those stakeholders designated as "investor" or "other user" representatives, including those "representing employees or wider civil society."[325] Sarasin and Partners LLP believed that "approval should be conditional upon majority support from members who are independent of IFAC and the audit profession, to promote alignment with the public interest and mitigate the risk of conflicts of interest."[326]

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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."); CPA Australia at 11 ("A simple majority may allow the views of certain stakeholder groups to dominate decisions and does not necessitate resolution of the concerns of the minority before a standard is approved."); Institute of Certified Public Accountants of Uganda (ICPAU) at 5 ("Adoption based on majority has the effect of silencing the minority, yet in principle-based regulation even the minority views may be given room for application.").

[322] *See, e.g.*, Asean Federation of Accountants (AFA) at 6 ("Therefore, without assurance as to how the views of the minorities can be properly attended in the proposed majority, we rather encourage the Group to reconsider its proposal in this area."); The Edinburgh Group at 2 ("Together with the proposals for a single Auditing and Ethics Board and the move away from unanimous decision-making, the proposed standard-setting model would make it more difficult for the views of the SMP/SME stakeholder community to be heard and reflected in audit, assurance and ethics standards."); Certified Public Accountants of Ireland at 8 ("We re-iterate that the SME/SMP sector requires adequate representation; and note that the consensus approach is more advantageous, serving to ensure this sector is not overlooked."); European Federation of Accountants and Auditors for SMEs (EFAA) at 5 ("The pursuit of consensus ensures that a minority view, such as SME, does not get ignored.").

[323] PwC at 17 ("We feel very strongly that it is in the public interest that the approval threshold of two-thirds of the board be retained, as well as the added safeguard that at least one member from each stakeholder group has voted in favour of approval."); Baker Tilly International at 4 ("On a multi-stakeholder board it may also be appropriate to ensure that at least one representative from each of the three constituents proposed votes in favor."); Junta de Decanos del Colegio de Contadores Públicos de Perú at 3 ("Based on the proposed composition of the Board and its division into three stakeholder groups, we recommend a two-thirds majority vote as well as a requirement that those in favor of the standard must include at least one member from each of the three stakeholder groups."); *see also* Chartered Accountants Ireland at 4 (suggesting that at least two representatives from each stakeholder group must vote in favor of a proposal for it to be successful).

[324] Canadian Public Accountability Board (CPAB) at 5.

[325] European Group of International Accounting Networks (EGIAN) at 6.

[326] Sarasin and Partners LLP at 4.

130. However, several respondents also expressed concern about a particular stakeholder group's ability to block action.[327] Several commenters noted that "[c]are should be taken that not one group of stakeholders can prevent a standard to be approved," with the Office of the Auditor General of Alberta noting that a special interest should be prevented "from effectively having a veto over the standard that serves the public interest."[328] The Canadian Securities Administrators (CSA CAC) was specifically concerned about the auditor representatives' abilities to prevent the adoption or amendment of a standard.[329]

131. Many respondents did not believe that adoption of standards by a simple majority was in "the public interest."[330] One commenter suggested that, if nearly half of the board had issues with a proposed standard, "it is in the public interest to understand their concerns and identify ways to resolve the concerns."[331] The Auditing and Assurance Standards Board of Canada (AASB) expressed concern that a simple majority vote "may lead to certain stakeholder representative groups on the boards being more easily voted down which may not be in the public interest."[332] As an outlier view, the Securities and Commodities Authority of the United Arab Emirates

[327] *See, e.g.*, Irish Auditing & Accounting Supervisory Authority (IAASA) at 3 (concerned about "allowing a small number of dissenters to block approval and publication of new standards or related material"); Comité de Integración Latino Europa - América (CILEA) at 6 and Compagnie Nationale Des Commissaires Aux Comptes and Conseil Superieur De L'Ordre Des Experts-Comptables of France at 11 ("[I]t is important that no one single group alone is able to block the adoption of a standard."); Committee of European Audit Oversight Bodies (CEAOB) at 3–4 ("We are in favor of defining a qualified majority to avoid blocking situations.").

[328] Office of the Auditor General of Alberta at 7; *see also, e.g.*, Mr. Marc Pickeur at 2 ("Care should be taken that not one group of stakeholders can prevent a standard to be approved.").

[329] The Canadian Securities Administrators (CSA CAC) at 3; *see also* European Securities and Markets Authority (ESMA) at 3 ("Nevertheless, the qualified majority requirement should not imply that members who are practitioners or who had recently a practitioner's function could exercise an effective veto over the Board's decisions."); AFROSAI-E at 7 ("[I]t is then important to ensure that practitioners comprise substantially less than 50% of [standard-setting board] members so that they are unable to control the board's decision making.").

[330] *See, e.g.*, MNP LLP, Canada at 3 ("Rapid changes based on a majority vote could be a disservice to the public interest."); Office of the Auditor General of Canada at 5 (believing that "acting in the public interest requires standards to be developed that appropriately consider the input of all stakeholders"); PwC at 17 ("By definition, however, if only a simple majority of the board support a standard (or other matter), nearly one half of the board do not. That is clearly not in the public interest. . . ."); Ernst & Young Global Limited at 13–14 ("It is not in the public interest to adopt standards that entire stakeholder groups, or a significant amount of relevant stakeholders, do not support."); Grant Thornton International at 11 ("It is not in the public interest to issue standards that a number of stakeholders disagree with.").

[331] PwC at 17.

[332] Auditing and Assurance Standards Board of Canada (AASB) at 4–5.

believed that standards should be adopted "based on the principle of public interest irrespective of the majority."[333]

132. Several respondents expressed concern that a simple majority voting process would lead to enactment of poor quality or unworkable standards that may need to be revised in the future.[334] The IAB-IEC believed that adopting standards by simple majority "for the sake of decision making speed, will override decision making quality and could lead to a practice of proposal and re-proposal to remedy the errors made during the fast-track adoption procedure."[335]

133. Several commenters also believed that a simple majority voting process would erode public confidence in the standard-setting process, which could cause issues with adoption, implementation, and adherence in local jurisdictions.[336] Some commenters believed that releasing standards approved by a simple majority could also undermine the standards'

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[333] Securities and Commodities Authority of the United Arab Emirates at 3.

[334] *See, e.g.*, MNP LLP, Canada at 3 ("Changes, without appropriate due process, could result in low quality standards and a necessity for further changes to the same standards in the future."); Moore Stephens International Ltd – MSIL at 6 (suggesting it was it was in the public interest to "mitigate the threat of a poor quality or unworkable standard being adopted"); Public Accountants Council for the Province of Ontario at 4 ("If anything, forcing a new standard to being approved by all board members likely leads to compromise that doesn't necessarily result in high-quality standards."); Junta de Decanos del Colegio de Contadores Públicos de Perú at 3 ("Achieving consensus is important to setting high-quality standards in the public interest."); Dr. Steven Glover, Dr. Douglas Prawitt and Dr. Mark Taylor at 6 ("We observed that the high quality that all stakeholders desire from global auditing standards really comes from the difficult deliberations required to reach a super majority.").

[335] Instituut van de Accountants en de Belastingconsulenten. Institut des Experts-comptables et des Conseils Fiscaux, Belgium at 5 ("Debate and consultation on complex topics and proposals cannot be rushed without consequences.").

[336] *See, e.g.*, MNP LLP, Canada at 2–3 ("Low quality, constantly changing standards will erode the public confidence in the standard setting process."); Auditing and Assurance Standards Board of Australia (AUASB) at 5 ("Allowing standards to be approved via a simple majority creates a risk that they are released without the support of all stakeholders, which then . . . jeopardises the high rate of implementation currently observed in jurisdictions across the world."); Auditing and Assurance Standards Board of Canada (AASB) at 4–5 ("There also may be less global acceptance of standards when there are significant pockets of disagreement with standards."); Zambia Institute of Chartered Accountants (ZICA) at 4 ("A simple majority will lead to standards that lack consensus and may run into problems as regards adoption."); Accountancy Europe at 8 ("Having a simple majority can lead to the systematic exclusion of specific board members or a group of stakeholders, which could lead to standards which are not generally accepted."); Consiglio Nazionale Dei Dottori Commercialisti e degli Esperti Contabili (CNDCEC) at 5 ("[T]his could result in a standard that, although approved by IFAC, will not be endorsed in the single jurisdictions which will decide independently on the authority of the standard."); Instituut van de Bedrijfsrevisoren. Institut des Réviseurs d'Entreprises, Belgium at 5 ("[A] standard adopted on the basis of a simple majority could potentially lead to the exclusion of adherence to it by a group of members.").

credibility.[337] The Auditing and Assurance Standards Oversight Council of Canada (AASOC) pointed out that, to the extent the standards developed by the IAASB and the IESBA do not have the force of law, "working to have broad support is important for achieving buy-in and global adoption of the standards."[338] Practically speaking, the Association of Certified Chartered Accountants (ACCA) believed that "[f]ragmentation of standard-setting [caused by decreased adoption, implementation, and adherence] would present significant challenges to companies seeking listing for the first time."[339]

134. Several commenters requested that dissenting opinions or reasons for dissent be published.[340] Similarly, some other commenters believed that the standard-setting boards should provide a sufficiently detailed basis for its conclusions.[341]

135. Two commenters declined to opine on the suggested change to the voting procedures; one commenter did not believe a new board was necessary and the other commenter recommended postponing voting decisions until the board composition was "fully analysed and evaluated."[342]

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[337] *See, e.g.*, Nordic Federation of Public Accountants (NRF) at 6 ("The exclusion of significant minority views can undermine trust and the adoption of standards at a global level."); CA ANZ and ACCA (joint submission) at 9 ("We believe if markets and jurisdictions internationally believe that standards are being adopted based on the interests of only half of the board members, belief in the process will be compromised and value jeopardised.").

[338] Auditing and Assurance Standards Oversight Council of Canada (AASOC) at 9.

[339] Association of Certified Chartered Accountants (ACCA) at 9.

[340] *See, e.g.*, Ms. Susan Koski-Grafer at 6 ("[P]rovision should be made to publish dissenting views in an appendix to a standard to provide the dissenter's stated rationale for same."); Office of the Auditor General of Alberta at 7 ("Consideration should be given to whether basis for conclusions should include reasons board members dissented; this gives insight into due process."); Auditing and Assurance Standards Oversight Council of Canada (AASOC) at 9 (noting that allowing for dissenting views to be published would be helpful in explaining other options considered); Ernst & Young Global Limited at 14 ("[W]e believe that transparency around the reasons for dissenting votes is in the public interest and that such reasons should continue to be documented in the Board's basis for conclusions or similar documentation about the Board's decisions to adopt revisions to the standards."); European Banking Authority (EBA) at 7 (agreeing that "dissenting members [should be] permitted to publish their dissenting views"); The Institute of Chartered Accountants of India (ICAI) at 4 (opining that a "Basis for Conclusions" document should explain the board member views for and against the proposal); The Institute of Chartered Accountants of Nigeria (ICAN) at 3 ("It is important to also stress that any dissenting views (minority views) should be appropriately acknowledged and documented in case such views become relevant in the light of the dynamic nature of the business environment.").

[341] Institute of Independent Auditors of Brazil (IBRACON) at 4; *see also* Chartered Accountants Ireland at 9 ("The basis upon which decisions are made on standards should be published, whether made by consensus or otherwise.").

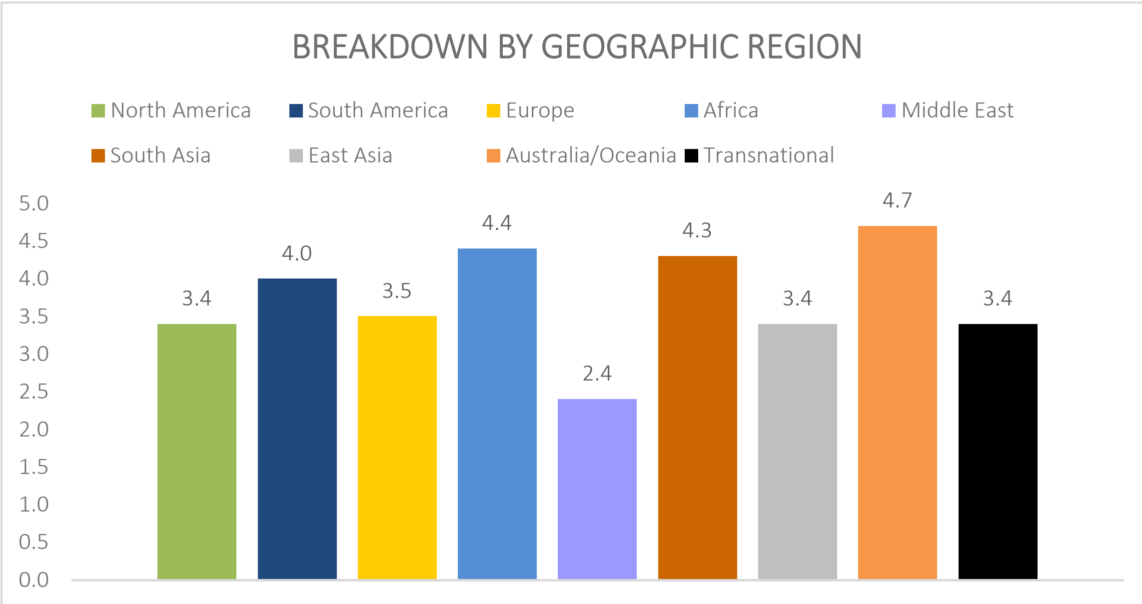
[342] RMIT University at 5; Crowe Horwath International at 5.

J. The Proper Role And Composition Of The Public Interest Oversight Board

136. Commenters addressing the Monitoring Group's proposed changes to the role and composition of the PIOB were generally opposed to this proposal. Of the 139 comments that addressed this topic area, more than 40%—59 comments—were flatly opposed to the proposal that the PIOB should have a significantly expanded role in the standard-setting process—e.g., controlling the nomination of the standard-setting boards' members, evaluating the performance of the standard-setting boards' members, and facilitating the collection of funds for the standard-setting boards—and that the PIOB should be composed of a diverse membership chosen by the Monitoring Group. There were an additional 33 comments that generally opposed the proposals contained in the Consultation Paper but were open to a slightly modified PIOB or a slightly increased role for the PIOB. Among commenters expressing some level of support for this proposal, 27 comments generally agreed with the Consultation Paper's suggestions but expressed reservations regarding the composition and selection of the PIOB's members, and 15 comments were in total or near total agreement with the Consultation Paper.

(1) Breakdown By Geographic Region

137. There are some clear geographic trends in the responses to the PIOB proposals. Commenters from the Middle East were the most likely to support the proposals regarding the role and composition of the PIOB, while commenters from Australia/Oceania, Africa, South America, and South Asia were the least likely to support the proposals. When the scores were averaged across each of the geographic regions discussed above, only the Middle East, at 2.4, had an average score indicating support for the proposals regarding the PIOB. Africa (4.4), Australia/Oceania (4.7) and South Asia (4.3) all registered average scores above 4.0, indicating widespread opposition to the proposals regarding the PIOB in those regions. The average scores in North America (3.4), South America (4.0), Europe (3.5), and East Asia (3.4), indicate that the commenters based in these regions also were generally opposed to the PIOB proposals on balance.



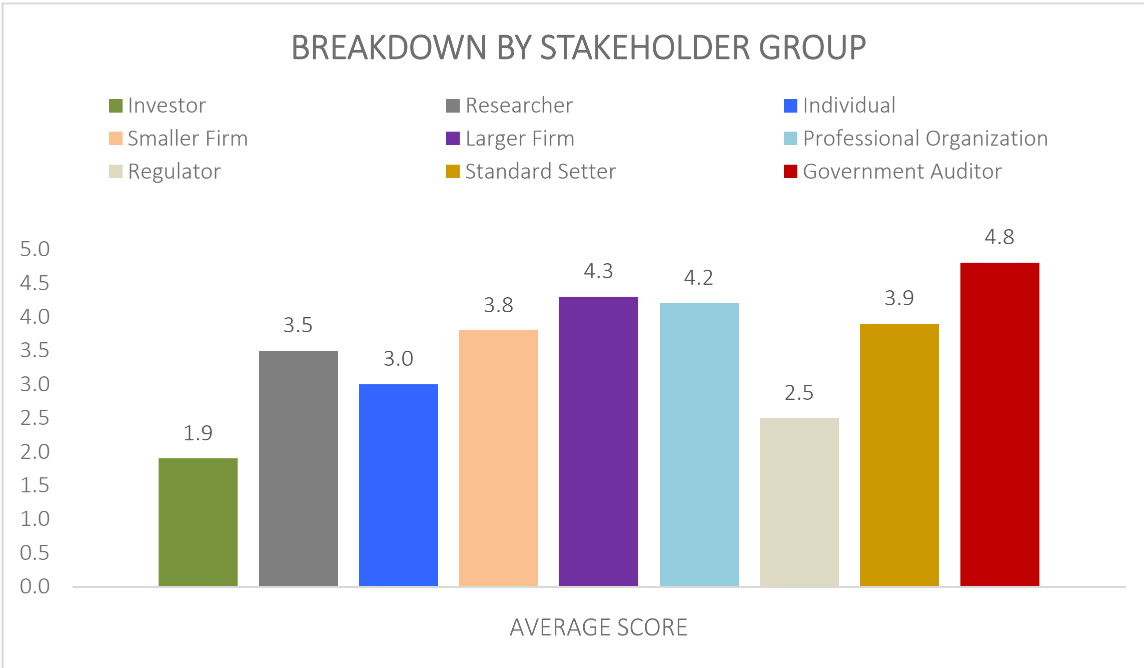
○ 5 (disagreed without qualification that the PIOB should have a significantly expanded role and should be composed of a diverse membership chosen by the Monitoring Group)
○ 4 (disagreed, but with qualifications, that the PIOB should have a significantly expanded role and should be composed of a diverse membership chosen by the Monitoring Group)
○ 3 (was ambivalent with respect to whether the PIOB should have a significantly expanded role and should be composed of a diverse membership chosen by the Monitoring Group)
○ 2 (agreed, but with qualifications, that the PIOB should have a significantly expanded role and should be composed of a diverse membership chosen by the Monitoring Group)
○ 1 (agreed without qualification that the PIOB should have a significantly expanded role and should be composed of a diverse membership chosen by the Monitoring Group)

138. Notably, the strong opposition to the PIOB proposals in Africa and South America appears to stem, at least in part, from a concern that the interests of developing markets are inadequately represented on the PIOB. The African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E) noted that it would not support "an expanded mandate" for the PIOB until the PIOB " include[s] membership from the developing world and the public sector."[343]

(2) Breakdown By Stakeholder Group

139. Investors and regulators were most in favor of the Monitoring Group's proposed expansion of the PIOB. Government auditors were most opposed to the proposal, with an average score of 4.8 (disagreeing without qualification).

[343] AFROSAI-E at 8–9.



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○ 2 (agreed, but with qualifications, that the PIOB should have a significantly expanded role and should be composed of a diverse membership chosen by the Monitoring Group)
○ 1 (agreed without qualification that the PIOB should have a significantly expanded role and should be composed of a diverse membership chosen by the Monitoring Group)

(3) Commenters' Reasons For Opposing Expansion Of The PIOB's Role

140. The comment letters supporting the PIOB proposals emphasized "increased accountability" and more effective oversight of the standards set by the standard-setting boards. Regarding accountability, the International Forum of Independent Audit Regulators (IFIAR) wrote that the "expanded and clarified functions" in the PIOB proposals "will strengthen the PIOB and provide for added accountability in the standard setting model."[344] On the issue of more effective oversight, the IFIAR commented that "[i]mproved collaboration and communication between

[344] International Forum of Independent Audit Regulators (IFIAR) at 2.

the PIOB and the board(s) is needed to ensure that the public interest is embedded throughout the entire standard setting process."[345]

141. Among the commenters who generally agreed with the proposal to expand the PIOB's role, there was some confusion regarding the precise nature of the "role and responsibilities of the PIOB as set out" by the Consultation Paper.[346] Some commenters thought that the reformed PIOB would need to engage in more hands-on, direct oversight of the standard-setting process, while others thought the reformed PIOB should take a more high-level, supervisory role and focus on ensuring that the standard-setting boards were following the prescribed due process. Writing in support of a more involved, hands-on role for itself, the PIOB commented that "oversight in the case of audit and ethics standard setting cannot just be an oversight of due process. There has to be a direct oversight to counterbalance intended and unintended bias."[347] Aberdeen Standard, on the other hand, stated that "[t]he PIOB's role should be to ensure that the board has the right membership and that the right process is followed; it should not have a role to second-guess the substantive judgements and decisions of the board."[348]

(4) Commenters' Reasons For Opposing Expansion Of The PIOB's Role

142. The most common concern in the comment letters opposing the PIOB proposals was the concentration of too much power and responsibility in the PIOB. This view was succinctly summarized by the South African Institute of Chartered Accountants (SAICA), which commented that "[o]versight of, and participation in the development of standards must be separated," and that if the PIOB proposals were enacted, "[t]he same perception around undue influence that is a current concern to the MG at the level of the standard-setting boards, would equally apply at the oversight level."[349]

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[345] *Id.*
[346] Consultation Paper, Question 15.
[347] PIOB at 5.
[348] Aberdeen Standard at 5; *see also* The Canadian Public Accountability Board (CPAB) at 2 ("We are also supportive of the notion that the PIOB's main role is to ensure that the process of standard development follows a due process that is approved by the PIOB and adheres to the agreed-upon public interest framework.").
[349] South African Institute of Chartered Accountants (SAICA) at 6, 15; *see also, e.g.*, Auditing and Assurance Standards Board of Australia (AUASB) at 3 ("The AUASB encourages the MG to ensure that the PIOB's role be limited to oversight in relation to the standards-setting process."); CA ANZ and ACCA (joint submission) at 5 ("An oversight body must remain independent of the standard's development process, including not having input into the technical development of a standard, either during development or with a right of veto."); The Japanese Institute of Certified Public Accountants (JICPA) at 7 ("The PIOB should not have the right of veto, and should instead focus exclusively on the oversight of due process."); The Malaysian Institute of Certified Public Accountants (MICPA) at 6 ("[T]he roles of oversight and direct participation

(5) Commenters' Reasons For Opposing Changing The Composition Of The PIOB

143. The Monitoring Group's proposal to remove IFAC representation from the PIOB was also a common source of anxiety for commenters who offered only qualified support for the PIOB proposals. While several commenters were amenable to removing IFAC from the PIOB as "a clear sign" that the new standard-setting process was free of undue influence from the profession,[350] many other commenters stated that IFAC should continue to be represented on the PIOB, because "[i]f the reform of the PIOB is intended to achieve stakeholder diversity, the exclusion of one representative from the profession is illogical – particularly as one representative on a Board of, say, nine cannot adversely impact that body or threaten its ability to act in the public interest."[351] Commenters also noted that as a practical matter, the PIOB would benefit from having an IFAC member with practical accounting experience and knowledge.[352]

144. Many commenters were also uncomfortable with the Monitoring Group assigning sole responsibility for the nomination process to the proposed enhanced PIOB. These commenters pointed out that this arrangement opened the door for potential undue influence by the Monitoring Group and regulators. Accountancy Europe comprehensively addressed this issue, commenting that they could only support the proposed expanded remit of the PIOB if "nominations to the new governance and oversight body [were] open to all, with a transparent

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should not be mixed . . . the PIOB should and can challenge the technical judgments made by the board in developing or revising standards but should not be given the power to veto the adoption of a standard.").

[350] Auditor Oversight Body, Germany at 5; *see also* Consejo Elaborador de Normas de Contabilidad y Auditoría (CENCYA) ("Agree with the option to remove IFAC representation from the PIOB. This would give the PIOB greater independence."); Eumedion Corporate Governance Forum at 5 (agreeing that IFAC representation should be removed from the PIOB to further guard against undue influence by the accounting profession); International Association of Insurance Supervisors (IAIS); Canadian Public Accountability Board (CPAB).

[351] International Ethics Standards Board for Accountants (IESBA) at 11; *see also* Mr. Nick Hasyudeen at 7 ("IFAC has made its commitment to protect public interest. Hence, its representation on POIB should not be a problem."); European Group of International Accounting Networks (EGIAN) at 9 (having IFAC representation "will help the PIOB to take account of a key stakeholder interest"); FinExpertiza Network at 2 (noting in response to question about removing IFAC representation, "Do not agree with option to remove IFAC representation," "No, decisions are made on the basis of a majority or by voting"); Mr. Abdul Muheet Chowdhary at 3 ("The step is too radical. At least a single member should be in the PIOB to voice IFAC's concerns."); Benin Institute of Chartered Accountants (OECCA BENIN) at 3 ("No."); Institute of Singapore Chartered Accountants (ISCA) at 4 ("[A]s IFAC remains a key stakeholder in the standard-setting process, we believe that IFAC's views should be heard. With only one seat on the PIOB, it is unlikely that IFAC can exert any undue influence.").

[352] *See, e.g.*, Irish Auditing & Accounting Supervisory Authority (IAASA) at 5 ("We acknowledge that removing IFAC representation would likely improve perception of independence, however, we also acknowledge that the knowledge such a representative would bring to the PIOB would be beneficial.").

process."[353] They further suggested that "a good starting point" for the composition of the new government and oversight body would be "those with authority to adopt the standards, those that regulate and enforce them and those who benefit and use them [in] a 1/3, 1/3, 1/3 stakeholder composition."[354]

K. The Standard-Setting Boards' Funding Sources

145. In general, the commenters viewed negatively the Consultation Paper's proposal to use a "contractual levy" on audit firms to fund the standard-setting boards. Of the comments analyzed, 129 discussed the funding sources proposal. Of these 129 comments, 9 were scored a 1; 19 were scored a 2; 10 were scored a 3; 25 were scored a 4; and 66 comments were scored a 5. Accordingly, 91 comments expressed strong or some disagreement with the funding sources proposal, whereas 28 comments expressed strong or some support for the funding sources proposal. The average score for the comments addressing this topic area was thus 3.9, indicating a fairly widespread level of disapproval of the Consultation Paper's suggestion to impose a contractual levy on audit firms to fund the standard-setting boards.[355]

(1) Breakdown By Geographic Region

146. Commenters from the Middle East had a neutral view of the contractual levy as a proposed funding source, with an average score of 3.0. On the other hand, the geographic regions expressing the most negative views of the proposed funding source were South America (with an average score of 4.5), Australia/Oceania (with an average score of 4.4), Africa (with an average score of 4.2), and Southeast Asia (with an average score of 4.2). A breakdown of scores by geographic regions is shown in the table below.

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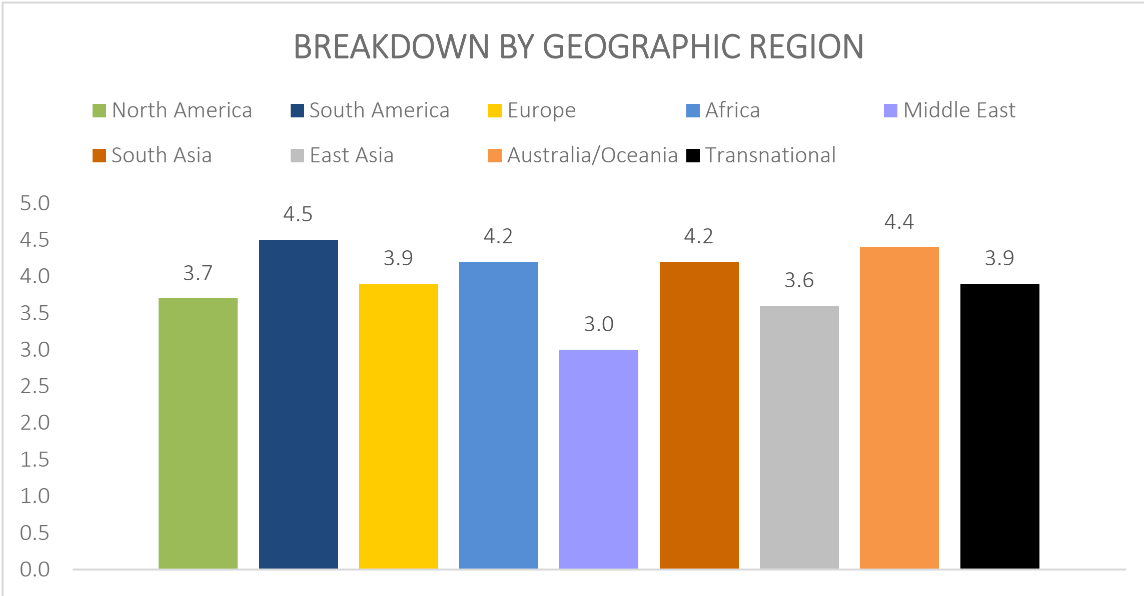
[353] Accountancy Europe at 11.
[354] *Id.*
[355] For further discussion of funding sources, including the remuneration of board members, *see* Section III.H.



○ 5 (disagreed without qualification that a "contractual levy" on audit firms should be used to fund the standard-setting boards)
○ 4 (disagreed, but with qualifications, that a "contractual levy" on audit firms should be used to fund the standard-setting boards)
○ 3 (was ambivalent with respect to whether a "contractual levy" on audit firms should be used to fund the standard-setting boards)
○ 2 (agreed, but with qualifications, that a "contractual levy" on audit firms should be used to fund the standard-setting boards)
○ 1 (agreed without qualification that a "contractual levy" on audit firms should be used to fund the standard-setting boards)

147. Commenters from Africa and South America tended to have a more negative view of the proposal to fund the standard-setting boards with a contractual levy on audit firms. They tended to suggest additional groups who should contribute to the funding, including the users/beneficiaries of audits[356] and regulators.[357] In addition, multiple commenters expressed concerns about the contractual levy's impact on independence.[358] Finally, others recommended that the Monitoring

[356] Consejo Elaborador de Normas de Contabilidad y Auditoría (CENCYA) at 6 ("We believe that the system could be financed based on contributions from users who are the beneficiaries of the existence of standards issued by an independent Board.").
[357] *See, e.g.*, Institute of Independent Auditors of Brazil (IBRACON) at 7 ("We believe that funding should be made by all stakeholders, including regulators, and that there should be safeguards to avoid the risk of undue influence."); Conselho Federal de Contabilidade (CFC) at 2 ("Funding structure [must be] properly set with equal participation of all stakeholders, including regulators.").
[358] *See, e.g.*, Junta de Decanos del Colegio de Contadores Públicos de Perú at 9 ("[T]he imposition of said levy is opposite to the importance of an independent standard-setting model.").

Group consider how the proposed funding structure would affect the number of jurisdictions that agree to the standards.[359]

148. Even commenters that supported the proposal to use a contractual levy tended to express caution about independence.[360] For example, the Malaysian Institute of Accountants cautioned, "The application of a 'contractual' levy on the profession to fund the board and the PIOB may not reduce any perceived risk that funding brings with it significant influence which is one of the main criticism[s] of the current standard-setting model."[361]

(2) Breakdown By Stakeholder Group

149. Larger firms, professional organizations, government auditors, and standard setters expressed the highest degree of skepticism about the proposed contractual funding scheme. Several commenters noted that the funding scheme was vague and that the Monitoring Group needed to provide more details on how it intended to address the funding and financial costs of a reorganization of the current model. They also suggested that the proposed funding scheme could have negative consequences on global audit networks, and could lead to fewer firms working on PIE audits.[362] Other large firms also expressed concerns that they would be bearing too much of a burden, particularly if the board were unable to collect levies from smaller or medium-sized audit firms.[363] The table below lists the average score of the comments for each of the stakeholder groups.[364]

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[359] *See, e.g.*, *id.* ("In evaluating funding options, the focus should be how the commitments for continued jurisdictional use of the standards will be secured and maintained in the future, including regulatory requirements for their proper use.").

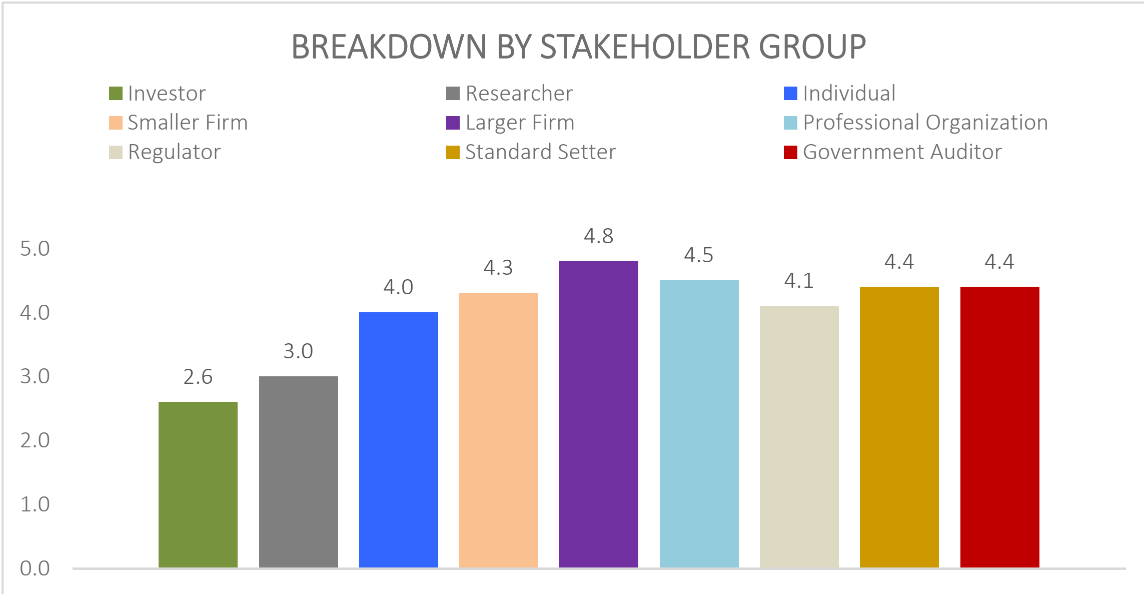
[360] *See, e.g.*, Office of the Superintendent of Financial Institutions Canada (OSFI) at 4 ("Funding is a complex issue and any changes made to the funding model will need to demonstrate how independence from the profession is improved."); Public Accountants Council for the Province of Ontario at 6–7 ("[T]here only appears to be perceptions that the current process is not independent enough with the current funding model. Unless there is something more evident than perceptions, minor tweaks to the current process should be adequate to demonstrate independence. At the same time, all funding options should be considered to determine if an expanded and more independent funding model can be negotiated.").

[361] Malaysian Institute of Accountants at 8.

[362] Moore Stephens International Ltd at 9 ("[T]here is a strong likelihood that any funding programme applied solely on the accounting firms will, over time, reduce the number of global networks prepared to participate in PIE audits.").

[363] *See* Ernst & Young Global Limited at 27 ("[I]t would not be appropriate for the agreed funding from the audit profession to be only from those networks or firms for which direct contractual commitments can be feasibly executed. Funding from the audit profession should be shared equitably among all audit firms and practitioners that use the standards.").

[364] As with previous sections, if a particular commenter fulfilled the criteria of two stakeholder groups (e.g., the commenter serves as both a regulator and standard-setter), it was counted in each stakeholder group.



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150. Industry organizations also agreed that funding should be diversified and that additional groups, not just audit firms, should be contributing financially to enhance the independence or perceived independence of the process.[365] Among the suggested potential contributors were standard

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For stakeholder groups who submitted very few comments on this topic, we have less confidence that the averages are representative of the broader group. There were a limited number of comments submitted for this topic by: government auditors (4); smaller firms (5); individuals (5); and researchers (6).

[365] *See, e.g.*, Nordic Federation of Public Accountants (NRF) at 16–17 ("Funding needs to be diversified as much as possible in the public interest. Considering that there is a perception issue of undue influence exercised by the accounting profession, the funding basis and sources need to be widened to include all relevant stakeholders and in such a way, preferably, that no single stakeholder group can be perceived to be in a position to exercise undue influence through its funding contribution."); *id.* at 17 ("Funding needs to be diversified and include additional stakeholders. If the accounting profession continues to be substantially the sole, or even just the most substantial funder, then this will, as already stated, damage the

setters, securities market regulators, larger business and their representative bodies, the public sectors, and institutional investors.[366]

151. By contrast, investors tended to view the proposed funding scheme as enhancing the independence of the audit process. For example, one commenter wrote, "We see merit in the idea that a levy on the profession collected by the PIOB as it best safeguards the independence of the standards setting board."[367] Another commenter noted that making the contractual levies mandatory rather than voluntary would enhance the independence.[368] On the other hand, some investors agreed with critics of the Consultation Paper's proposed funding scheme that the scheme was unclear.[369] Yet others noted that even if obtaining funds from other groups might be desirable, it could be impractical or lead to new independence concerns.[370] To that end, investors noted that the funding scheme needed to be clarified in advance to ensure that a sufficient stable funding base would be established.[371]

152. Government auditors were most likely to propose that the funding come from the public, other beneficiaries, or other groups such as regulators.[372] Standard setters noted the importance of a

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credibility of any standards setting model that results from the reforms. This will, in turn, limit the adoption of the standards in certain jurisdictions.").

[366] *See* European Group of International Accounting Networks (EGIAN) ¶¶ 54, 61.

[367] Eumedion Corporate Governance Forum at 7.

[368] *See* Sarasin and Partners LLP at 7 ("[T]here should be a transparent, contractual arrangement which removes any discretionary element to the funding provided by the profession, which could give rise to undue influence.").

[369] *See, e.g.*, European Banking Authority (EBA) at 12 ("In particular the possibility to apply a levy on the profession collected on a jurisdiction basis on behalf of the MG or PIOB should be explored. In this regard, the EBA stresses that the concept of 'contractual levy' is unclear and needs specifying further.").

[370] *See* International Corporate Governance Network (ICGN) at 3 ("[W]e recognise the challenges that might come from seeking funding from regulators, and it is not clear to us if a way of raising substantial funding from investors – as users of financial information—is practical or tenable. It is also not clear if stock exchanges would have the appetite to provide funding. And while funding from listed entities could potentially be sought, that might also give rise to concerns relating to vested interests.").

[371] *See, e.g.*, Investment Association (the IA) at 3 ("Whilst we recognize that a staged approach is being followed and that the funding is to be looked at once the structure is established, we firmly believe that for the standards to have credibility, they need to be developed by a process where not only there is accountability but also sustainable funding that does not infringe on its independence.").

[372] *See, e.g.*, Office of the Auditor-General for the Federation, Nigeria at 6 (should come from "affiliate professional bodies, regulators especially national standards-setters, etc." and "[o]ther organisations that are proposed to be represented"); Office of the Auditor General of Alberta at 10–11 (should come from financial market participants); Office of the Auditor-General of New Zealand at 2 ("If the standards are to reflect the public interest then the funding of the standards must be derived from the public. Ideally the standards setting activity should be derived from the primary beneficiaries of the standards; the users of financial statements and the general public. This suggests a contribution from the countries who use and

clear funding model to avoid questions and uncertainties about whether the Monitoring Group's proposal would be "sustainable and capable of delivering standards of the necessary quality for national adoption."[373] Others were also concerned about whether the proposal would impair the independence of the boards, given their reliance on audit firms for funding.[374] Many standard setters, for example, suggested broadening the base of contributors.[375]

(3) Comments That Agreed with the Proposal

153. Of the comment letters that agreed with the proposal, most agreed that the proposals would require increased demands and that a contractual levy was a possible way of funding them. For example, the Auditing and Assurance Standards Board of Canada noted that "many of the options being considered will result in increased funding demands," and therefore encouraged the Monitoring Group to develop a plan for which funding would "be quantified and sources be identified . . . before reforms are finalized."[376] The Eumedion Corporate Governance Forum noted that they saw "merit in the idea that a levy on the profession collected by the PIOB as it best safeguards the independence of the standards setting board."[377] The Malaysian Institute of Accountants (MIA) agreed with the proposal, but stated that a more sustainable funding base should be developed as "[t]he application of a 'contractual' levy on the profession to fund the board and the PIOB may not reduce any perceived risk that funding brings with it significant influence which is one of the main criticism of the current standard-setting model."[378]

(4) Comments That Opposed the Proposal

154. The most common themes in the comments opposed to the proposal were that the proposal lacked sufficient detail and clarity; that it failed to consider the impact on independence; that the

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value the standards. In-turn that demands accountability by the standards setter to those that fund its activities.").

[373] External Reporting Board, New Zealand (XRB) at 5.

[374] *See id.* ("There is also no indication the proposed funding model would lessen any perceived undue influence from funders. On the contrary, we would be concerned, as an independent national standard setting body (established under a legislative framework), that soliciting funding directly from professional firms could result in the funders exerting greater direct influence than under the current structure, where unspecified funding is channelled through IFAC.").

[375] *See, e.g.*, Financial Reporting Council, UK at 10 ("[T]here should be a significant funding commitment on the part of the regulatory community . . . . Without funding from this stakeholder group, we do not see how the current funding base can be diversified.").

[376] Auditing and Assurance Standards Board of Canada (AASB) at 5.

[377] Eumedion Corporate Governance Forum at 7.

[378] Malaysian Institute of Accountants (MIA) at 8.

proposal would potentially decrease the number of jurisdictions subscribing to the standards or participating in audits of public interest entities; and that additional groups should be levied.

155. *First*, numerous commenters noted that the Monitoring Group's proposal did not describe in detail how it would fund the numerous changes that were proposed, nor provide detail on the amount of the contractual levy. Many noted that they could not comment on the funding model without such detail.[379] Some commenters also questioned how a contractual levy would work and who would have authority to impose such a levy.[380]

156. Relatedly, commenters noted that the proposal was impractical and that the Monitoring Group had not explained how the contractual levy would be imposed and collected across jurisdictions.[381] AFROSAI-E pointed out how many details had yet to be explained: "We are not certain how such an arrangement would work. Would it be based on the size of accounting firms, number of audits, total revenue? What action would be taken if firms fail to remit their levies? And would the levy apply to SAIs who use the standards?"[382] Others noted that the Monitoring Group needed to better explain how it intended to collect the funds necessary to fulfill the proposals.[383] Still others stated that the Monitoring Group had not adequately budgeted for the costs associated with all of its proposals.[384]

157. *Second*, many commenters stated that the proposal did not adequately address the perceptions of lack of independence, and that the proposal would leave intact (if not increase) those

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[379] *See, e.g.*, Baker Tilly International at 1 ("The lack of detail on funding of the proposals is alarming and, allied with the lack of impact assessment, makes it extremely difficult to assess the proposals put forward."); Moore Stephens International Ltd at 3 ("Greater clarity is required from the Monitoring Group on funding, governance and transition to enable stakeholders and the public to assess the appropriateness and viability of the Monitoring Group's complete model."); PwC at 29 ("Our support for any proposed new model is contingent on a clear and achievable pathway to broad-based funding within a foreseeable timeframe being agreed.").

[380] *See, e.g.*, Association of International Certified Professional Accountants at 20–21.

[381] *See, e.g.*, RSM International Ltd at 9 ("[T]he current proposals from the Monitoring Group are costly in themselves and the suggestion of a contractual levy system is, in our view, impractical. Achieving a consensus on the level of contributions from the professional auditing firms across multiple national jurisdictions will be a lengthy and expensive process, even if it can be accomplished.").

[382] AFROSAI-E at 11.

[383] *See* Wirtschaftsprüferkammer, Germany (WPK) at 16 ("This also calls for a reliable planning of the costs required by a revised standard-setting process for the fulfilment of its tasks. Currently unclear is the question how to implement a funding that is in essence less dependent from the profession. Up to date the PIOB has hardly been capable of generating the majority of its relatively limited budget of EUR 1.5 million from sources outside of IFAC.").

[384] *See* American Institute of Certified Public Accountants (AICPA) and Chartered Institute of Management Accountants (CIMA) at 18 ("[T]he proposal fails . . . to appreciate the scope of the costs involved.").

perceptions. For example, Moore Stephens LLP wrote, "Asking the accounting profession to pay for the new model on its own is unacceptable. To do so would replicate the current model which is, apparently, perceived to give the accounting profession too much influence."[385] Similarly, AICPA and CIMA pointed out that "one of the proposal's central justifications for changing the standard-setting board structure is to make the standard-setting board more independent by making it *less reliant on funding from the profession*," yet the Monitoring Group proposed to fund the board entirely from the profession.[386] One commenter stated that any system in which the PIOB collected and disbursed all funds would necessarily have its independence impaired.[387] Some explained that they simply did not understand how the proposed funding scheme was intended to alleviate any of the perceived problems.[388] Moreover, comments were concerned that any system relying solely on the accounting profession for funding would necessarily have its independence impaired.[389] To that end, some suggested that the Monitoring Group's proposal created an even greater threat to the public interest than the current system did.[390]

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[385] *See* Moore Stephens International Ltd at 3; *see also id.* at 9 ("If funding for the new board is to be only sourced from audit firms and/or the accountancy profession as is the case in the current model, we do not believe that any future checks and balances can be put in place to make it appear any more independent than at present.").
[386] *See* American Institute of Certified Public Accountants (AICPA) and Chartered Institute of Management Accountants (CIMA) at 18 (emphasis in original).
[387] *See* Ernst & Young Global Limited at 25 ("We do not agree with the Monitoring Group that appropriate checks and balances can be put in place to mitigate any risk or perceived risk to the independence of the Board as a result of it being funded predominantly by the audit firms or accountancy profession. We do not believe that the fact that the funding is collected and disbursed by the PIOB or any new foundation will eliminate this risk or perception of undue influence, particularly since this is the core driver for reform."); *see also* AFROSAI-E at 11 ("It would be a conflict of interest if the PIOB is responsible for the public interest but also has full control over the funding arrangements.").
[388] *See* Center for Capital Markets Competitiveness (CCMC) at 6 ("[F]unding from audit firms would still be funding from the profession. Thus, it is difficult to understand how a levy would solve any perceived or actual problems of funding from the profession."); CA ANZ and ACCA at 6 ("We cannot see how the proposals in the consultation paper, that is, moving to a model where funding is obtained directly from audit firms, addresses the concern stated in the consultation paper over the profession's involvement in the standard setting process."); The Japanese Institute of Certified Public Accountants (JICPA) at 10 ("If the aim is to eliminate concerns about the influence of the accounting profession, relying exclusively on financial resources collected directly from the accounting profession is not going to help the situation.").
[389] *See, e.g.*, BDO at 3 ("We do not believe that the continued funding of the model longer-term can justifiably be predominantly from or by the profession if the perception of undue influence is to be adequately addressed. Regardless of how the funding is packaged or collected, if it is directly or indirectly contributed predominantly by the audit profession and networks, the perception of undue influence will remain."); PwC at 29 ("Whether through a 'contractual' levy or otherwise, if virtually all of the funding is obtained from the profession, the potential for a perception of the ability to influence will remain.").
[390] *See, e.g.*, Office of the Auditor-General of New Zealand at 2 ("[A] contractual levy on audit firms] is a far worse approach to funding than the one that is currently in place if the Monitoring Group is wanting to

158. Others noted that the inability to impose contractual levies in all jurisdictions threatened the independence of the board as firms could withhold payment if the board took action with which the firm disagreed.[391] Some questioned how the board would collect the levies absent legal authority to do so.[392] Without the ability to enforce and collect mandatory levies, some commenters noted that it was even more important for the Monitoring Group to obtain the "buy in of all of the potential funders."[393]

159. *Third*, commenters stated that the Consultation Paper's proposals would potentially decrease the number of jurisdictions subscribing to the standards or would otherwise affect the quality and number of audits. For example, Moore Stephens LLP wrote, "We also believe there is a strong likelihood that any funding programme applied solely on the accounting firms will, over time, reduce the number of global networks prepared to participate in PIE audits."[394] Some expressed concerns about decreased competition if smaller firms left the market due to the cost of the

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remove the perception of undue influence of the accounting profession in standards setting. The perception of the accounting profession controlling the standards setting process will be reinforced by contracting directly with audit firms to fund the standards-setting activity; particularly when audit firms are highly successful commercial organisations where the public interest is not emphasised.").

[391] *See, e.g.*, RSM International Ltd at 9 ("[T]he levy would in effect become voluntary and could be withheld if a firm or network disagreed with the direction that the board was taking on a particular standard or issue. This would lead to potential independence issues which are far greater than those which the Monitoring Group seems to believe exist in the current model funding.").

[392] *See* Center for Capital Markets Competitiveness (CCMC) at 6 ("[W]e question the practicability of a contractual levy on audit firms. Certainly, the legal authority for such a levy is problematic.").

[393] *See* European Group of International Accounting Networks (EGIAN) ¶ 62 ("It does not appear practical to make a contractual levy mandatory, therefore, it is likely that funding will have to be voluntary in which case it makes the buy in of all of the potential funders crucial to the success of the new proposals as they finally emerge.").

[394] Moore Stephens International Ltd at 9; *see also* Ernst & Young Global Limited at 27.

levy.[395] In addition, some commenters noted that the importance of considering the impact of the levies on developing nations and SMPs.[396]

160. *Fourth*, commenters felt that additional groups should be levied, particularly as they would either be the beneficiaries of the auditing standards (e.g., users) or would be substantially more involved in the process under the Monitoring Group's proposals (e.g., regulators). For example, RSM International Ltd wrote, "[I]t is critical that all stakeholders participating in the creation of and benefiting from the standards contribute to the funding, not just the accountancy profession. It would not be acceptable for other stakeholders who desire to be part of the board, eg the international regulatory community, to avoid contributing to its funding."[397] Similarly, Crowe Horwath International proposed that contributions come not only from audit firms but from professional accountancy organizations such as IFAC, Monitoring Group membership organizations, and those who "rely on" and "benefit from" the output of the accountancy profession.[398]

L. Summary of Additional Issues Considered

161. Commenters also responded to certain questions raised in the Consultation Paper related to the following topics:

- The composition of the PIOB;

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[395] *See* Ernst & Young Global Limited at 27 ("A consequence of the use of a 'contractual' levy is that smaller networks may choose not to participate in the market for audits of PIEs (assuming this levy would represent the cost of entry to that market) and the fact that the costs are not shared by professional accountancy organizations (i.e., IFAC member bodies), SMPs or other segments of the audit profession. If such a contraction in the market comes to fruition, this will result in greater market concentration in available audit providers for listed and public-interest entities."); Grant Thornton International at 18 ("[A] contractual levy may dissuade some firms from operating in the audit market, reducing competition, increasing concentration of firms performing audits and exacerbating the perception of the lack of independence."); Kreston International at 3 ("The move to a levy based funding model could lead to firms or networks of firms taking economic decisions about their service lines which could lead to both a reduction in competition in the audit market and the anticipated level of funding not being raised.").

[396] *See, e.g.*, The Edinburgh Group at 2 ("The MG is correct to seek to identify potential new areas of funding. The issue is not explored in this Consultation Paper (although we understand that further details will be published in the summer) but it will be a matter of keen concern for SMPs, and most acutely relevant in developing nations."); Independent Regulatory Board for Auditors, South Africa (IRBA) at 13 ("More levies will strain the auditing profession further. SMPs are, in many cases, already struggling financially.").

[397] RSM International Ltd at 9.

[398] Crowe Horwath International at 9.

- The focus of PIOB oversight;
- The role of the Monitoring Group; and
- The need for professional technical staff and who should employ them.

162. Many commenters offered thoughts on the composition of the PIOB with an eye towards ensuring that it is representative of non-practitioner stakeholders. Multiple commenters agreed that "the PIOB should reflect multi-stakeholder interest and that membership [should] be drawn from all relevant stakeholder groups, including the audit profession."[399] Other commenters emphasized that "[m]embers of the PIOB should have basic theoretical knowledge about auditing, whether they are practitioners or not."[400]

163. In discussing the focus of PIOB oversight, there was widespread support for continuing PIOB oversight of all standard-setting boards, rather than limiting the PIOB's focus to only assurance standards and ethical standards for auditors. The comment letters tended to be succinct in addressing this issue, generally either supporting the status quo without giving an explicit reason[401] or simply stating that the continued oversight of standards for both auditors and other

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[399] Chartered Accountants Australia and New Zealand (joint submission) at 12; *see also, e.g.*, Kreston International at 9 ("The composition of the PIOB should be broad and balanced so that stakeholders, including the accountancy profession, are represented but there is no dominant party."); Nordic Federation of Public Accountants (NRF) at 14 ("[T]he accountancy profession, together with all other relevant stakeholders should be members with equal rights of the new governance and oversight body. A 1/3, 1/3, 1/3 stakeholder composition for the governance and oversight body would be a good starting point."); Zambia Institute of Chartered Accountants (ZICA) at 5 ("ZICA, as mentioned earlier support a multi-stakeholder approach to encompass nominees from investors, those who prepare financial statements, those charged with governance, regulators, academics, and the accountancy profession. A multi-stakeholder composition and members with appropriate skills will ensure that the PIOB has appropriate technical understanding of audit matters."); Certified Public Accountants of Ireland at 10 ("As the PIOB is tasked with acting in the public interest, due consideration should be given to the importance of SMEs as an engine of global economic growth. . . . Other representation should include investors, preparers, regulators, academics and the accountancy profession.).

[400] Association of Supervisors of Banks of Americas (ASBA) at 3; *see also, e.g.*, Certified Public Accountants of Ireland at 10 ("It will also be critical for all representatives have an appropriate understanding of audit issues (and to not be reliant on advice from any one stakeholder or group of stakeholders)."); Institute of Certified Public Accountants of Uganda (ICPAU) at 7 ("[W]e emphasise that the composition of the PIOB should demonstrate diversity and the skill set appropriate to supervise the technical standards board work.").

[401] *See, e.g.*, Kreston International at 9 ("Yes, the PIOB should continue to oversee the work of the other standard-setting boards."); Malaysian Institute of Accountants at 6; Pan African Federation of Accountants (PAFA) at 8; South African Institute of Professional Accountants (SAIPA) at 6–7; AFROSAI-E at 10 ("The PIOB should retain oversight of all the SSBs under discussion (IAASB, IAESB, IESBA).").

accountants would "enhance the coherence of auditing rules and regulations; thus, protecting the public interest."[402]

164. Certain commenters also focused on the role of the Monitoring Group itself. Multiple commenters agreed that the Monitoring Group should continue to monitor the implementation and effectiveness of the standard-setting reform process, appointing the members of the PIOB, ensuring the PIOB's accountability to stakeholders, and monitoring the execution of the PIOB mandate.[403] One commenter noted that it would be appropriate, however, to review the membership of the Monitoring Group on a periodic basis.[404] Another commenter emphasized the need for structured coordination with IFAC as part of the reforms to the standard-setting model.[405]

165. Other commenters focused on the need for expanded technical staff and who should employ such staff. As discussed in Section III.G, *supra*, many respondents emphasized the importance of hiring technical professional staff,[406] but questioned the available funding for hiring expanded technical staff.[407] Other commenters expressed concern about undue influence of auditors via provision of seconded staff, preferring professional staff with varied backgrounds (not just individuals who previously worked for large audit firms).[408] At least one commenter suggested the creation of a separate legal entity (similar to the International Accounting Standards Board) to employ the public staff,[409] although other commenters believed that the staff should be directly employed by the standard-setting board.[410]

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[402] Association of Supervisors of Banks of the Americas at 5.
[403] *See, e.g.*, European Banking Authority at 11.
[404] International Ethics Standards Board for Accountants (IESBA) at 12.
[405] Ernst & Young Global Limited at 21-22.
[406] External Reporting Board, New Zealand (XRB) at 9 ("We agree the standard-setting board could be more strategic in nature and need not be so involved in detailed drafting, which may be left to an enhanced technical staff."); RSM International Ltd at 5 ("We accept that having a board with a strategic focus separate from the staff who carry out detailed drafting is a sensible division of daily responsibilities."); Wirtschaftsprüferkammer, Germany (WPK) at 11 ("The 'technical' development of the standards should be shifted to qualified staff."); Consiglio Nazionale Dei Dottori Commercialisti e degli Esperti Contabili (CNDCEC) at 5 ("[T]his kind of work should be delegated to the staff.").
[407] *See, e.g.*, Instituut van de Accountants en de Belastingconsulenten. Institut des Experts-comptables et des Conseils Fiscaux, Belgium (IAB-IEC) at 5.
[408] *See, e.g.*, Committee of European Audit Oversight Bodies (CEAOB) at 6–7.
[409] Deloitte at 13.
[410] Financial Reporting Council, UK at 9.

IV. Next Steps

166. The comment letters contained widespread support for further deliberation, additional opportunities for comment, and/or additional studies before any concrete action is taken with respect to the Monitoring Group's proposals. Expert Suisse captured this sentiment, commenting:

> In our view the Consultation Paper of the Monitoring Group can only b[e] a first step in a longer process of more concrete discussions, consultations and proposals. Indeed, further information is needed to have a full overview of the proposals and their estimated benefits. We in general welcome regular reviews of the standard-setting process, but feel that so far the Monitoring Group has not paid enough attention to vital aspects such as funding, oversight and governance and that risks associated with changing the current standard-setting arrangements have not been adequately addressed in the Monitoring Group's Consultation Paper.[411]

167. Many commenters suggested that the process of further deliberation should include clarification from the Monitoring Group on several issues, including the details of its proposed governance model to the viability of its proposed funding model.[412] The vast majority of commenters supported further rounds of comment and engagement with the stakeholders before taking action, even if they were generally supportive of the Monitoring Group's proposed reforms; the only comment to urge the Monitoring Group to move quickly rather than deliberately was authored by the European Investors Association and Vereniging van Effectenbezitters, Netherlands. European Investors wrote that it was "particularly concerned about the lack of urgency in addressing legitimacy and credibility of the audit profession," and warned that "[o]veranalyses leads to paralysis."[413]

168. Many commenters expressed a view that the continuing process should focus in particular on developing a clear public-interest framework for evaluating changes to the current standard-setting process. As noted earlier, many commenters who discussed this principle in detail noted that the

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[411] Expert Suisse at 3–4.
[412] *See id.*
[413] European Investors and Vereniging van Effectenbezitters, Netherlands.

Consultation Paper had failed to adequately define “public interest.”[414] Of the 121 comments submitted that explicitly discussed the Consultation Paper’s definition of the “public interest,” 71 commenters expressed some or strong disagreement with the Consultation Paper’s public interest framework (or expressed criticism with the perceived absence of a definition). Because the public-interest framework is essential to evaluating the other proposals in the Consultation Paper, many commenters emphasized this topic area in particular for continued consideration and discussion.

169. In summary, the overwhelming consensus among the commenters was that the Monitoring Group should take its time, move slowly, and work with all stakeholders to develop a clear public interest framework and to use that framework to carefully consider proposed changes to the standard-setting process.

[414] *See* Section III.C.

V. Conclusion

170. The Monitoring Group's Consultation Paper received a large number of comments, and the comments demonstrated considerable variation in the positions taken, including as between various geographic regions and stakeholder groups. Amidst this variety several trends stood out:

- *First*, the commenters expressed significant disagreement with the premises of the Consultation Paper's recommendations, the existence of significant problems with the current standard-setting process and the Consultation Paper's as-yet-developed proposed public-interest framework.
- *Second*, this disagreement caused the more sweeping changes proposed by the Consultation Paper to draw more criticism from the commenters: a majority of commenters disagreed with the Consultation Paper's proposals to create a single board responsible both for setting audit standards and for setting ethics standards for auditors, to switch to a simple-majority voting rule, to expand the role of the PIOB, and to change the standard-setting boards' source of funding.
- *Third*, although there was considerable opposition to some of the more dramatic changes suggested by the Consultation Paper, a few of the specific, operational recommendations in the Consultation Paper were generally approved by a sizable majority of the commenters addressing the recommendations: the vast majority of the comments addressing the issues agreed with the Monitoring Group's suggestions to remunerate the members of standard-setting boards and to ensure the standard-setting boards have a strategic focus.
- *Fourth*, there was widespread agreement among the commenters that the Monitoring Group should move slowly, should continue to consult with all stakeholders, and should carefully consider the costs and benefits of any changes to the standard-setting process before embarking on significant changes.

VI. Appendices

Appendix A: Commenters By Stakeholder Group[415]

Government Auditor

- Audit Scotland
- Auditor General of Wales
- Government Accountability Office, U.S.A. (GAO)
- National Audit Office, UK
- Office of the Auditor General of Alberta
- Office of the Auditor General of Canada
- Office of the Auditor-General for the Federation, Nigeria
- Office of the Auditor-General of New Zealand
- Provincial Auditor of Saskatchewan

Investor[416]

- Aberdeen Standard
- Center for Capital Markets Competitiveness (CCMC)
- CFA Institute
- Council of Institutional Investors, U.S.A.
- Eumedion Corporate Governance Forum
- European Investors and Vereniging can Effectenbezitters, Netherlands
- International Corporate Governance Network (ICGN)
- Investment Association (theia)
- Ms. Susan Koski-Grafer
- Sarasin and Partners LLP
- World Council of Credit Unions (WOCCU)

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[415] Some commenters are listed multiple times because they represent multiple stakeholder groups.
[416] Commenters under Investors include individuals who identified themselves as investors.

Large Firm

- Baker Tilly International
- BDO
- Crowe Horwath International
- Deloitte
- Ernst & Young Global Limited
- Grant Thornton International
- HLB International
- Kingston Smith LLP
- KPMG
- Kreston International
- Moore Stephens LLP - MSIL
- PWC
- RSM International Ltd
- RSM South Africa

Smaller Firm

- Ahmed Zakari and Co Nigeria
- FinExpertiza Network
- Auren
- HW Fisher & Company
- MNP LLP, Canada
- SIA Management Consulting, Dubai

Standard Setter

- Abu Dhabi Accountability Authority (ADDA)
- Accounting Professional & Ethics Standards Board (APESB)
- American Institute of Certified Public Accountants (AICPA) and Chartered Institute of Management Accountants (CIMA)
- Auditing and Assurance Standards Board of Australia (AUASB)
- Auditing and Assurance Standards Board of Canada (AASB)
- Auditing and Assurance Standards Oversight Council of Canada (AASOC)
- Austrian Financial Reporting and Audit Committee (AFRAC)
- Board of Accountancy of Philippines
- Committee of European Audit Oversight Bodies (CEAOB)
- Consejo Elaborador de Normas de Contabilidad y Auditoría (CENCYA)

- Consejo Profesional de Ciencias Economicas de la Ciudad Autonoma de Buenos Aires – Argentina
- Conselho Federal de Contabilidadde (CFC)
- External Reporting Board, New Zealand (XRB)
- Federal Audit Oversight Authority, Switzerland (FAOA)
- Financial Reporting Council, Australia
- Financial Reporting Council, UK
- Hong Kong Institute of Certified Public Accountants
- Independent Regulatory Board for Auditors, South Africa (IRBA)
- Institut Der Wirtschaftsprefuer, Germany (IDW)
- Institute of Certified Public Accountants of Greece (SOEL)
- Institute of Certified Public Accountants of Uganda (ICPAU)
- Institute of Chartered Accountants in England and Wales (ICAEW)
- Institute of Chartered Accountants of Bangladesh (ICAB)
- Institute of Chartered Accountants of India (ICAI)
- Institute of Chartered Accountants of Jamaica (ICAJ)
- Institute of Chartered Accountants of Nigeria (ICAN)
- Institute of Chartered Accountants of Pakistan (ICAP)
- Institute of Chartered Accountants of Scotland (ICAS)
- Institute of Chartered Accountants of Sri Lanka
- Institute of Chartered Accountants of the Caribbean (ICAC)
- Institute of Cost and Management Accountants of Bangladesh (ICMAB)
- Institute of Indonesia Chartered Accountants (IAI)
- Instituto Nacional de Contadores Publicos, Colombia (INCP)
- Instituut van de Bedrijfsrevisoren. Institut des Réviseurs d'Entreprises, Belgium
- International Accounting Education Standards Board (IAESB)
- International Association of Insurance Supervisors (IAIS)
- International Accounting Education Standards Board Consultative Advisory Group (IAESB CAG)
- International Auditing and Assurance Standards Board (IAASB)
- International Organization of Supreme Audit Institutions (INTOSAI)
- International Ethics Standards Board for Accountants (IESBA)
- Irish Auditing & Accounting Supervisory Authority (IAASA)
- Japanese Institute of Certified Public Accountants (JICPA)
- Korean Institute of Certified Public Accountants (KICPA)
- Public Accountants Council for the Province of Ontario

- Public Sector Accounting Board of Canada
- The Institute of Chartered Accounts in Cameroon

Professional Organization[417]

- Accountancy Europe
- Accountants Association Poland
- AFROSAI-E
- American Institute of Certified Public Accountants (AICPA) and Chartered Institute of Management Accountants (CIMA)
- Asean Federation of Accountants
- Association of Accountacy Bodies in West Africa
- Association of Certified Chartered Accountants (ACCA)
- Association of National Accountants of Nigeria
- Association of Supervisors of Banks of Americas (ASBA)
- Auditing Standards Committee of the Auditing Section of the American Accounting Association
- Australian Institute of Company Directors (AICD)
- Benin Institute of Chartered Accountants OECCA BENIN
- CA ANZ and ACCA (joint submission)
- Chartered Accountants Australia and New Zealand (joint submission)
- Chartered Accountants Ireland
- Chartered Institute of Public Finance and Accountancy (CIPFA)
- Chinese Institute of Certified Public Accountants (CICPA)
- Comité de Integración Latino Europa - América (CILEA)
- Compagnie Nationale Des Commissionaires Aux Comptes and Conseil Superieur De L'Ordre Des Experts-Comptables of France - joint responses
- Consejo Profesional de Ciencias Economicas de la Ciudad Autonoma de Buenos Aires – Argentina
- Consiglio Nazionale Dei Dottori Commercialiste e Edgli Esperti Contabili - CNDCEC
- Consultative Committee of Accountancy Bodies Limited (CCAB)
- Costa Rican Association of Public Accountants
- CPA Australia
- CPA Canada
- European Federation of Accountants and Auditors for SMEs (EFAA)

[417] The "Professional Organization" category includes accountancy professional organizations, as well as professional organizations representing other professions or interest groups.

- European Group of International Accounting Networks (EGIAN)
- Expert Suisse
- Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE)
- Fédération des Experts Comptables Méditerranées (FCM)
- Fédération Internationale des Experts-Comptables Francophones (FIDEF)
- Global Accounting Alliance (GAA)
- Group of 100, Australia
- Instituut van de Accountants en de Belastingconsulenten. Institut des Experts-comptables et des Conseils Fiscaux, Belgium
- Institute of Independent Auditors of Brazil (IBRACON)
- Institute of Internal Auditors (IIA)
- Institute of Public Accountants, Australia
- Institute of Singapore Chartered Accountants (ISCA)
- International Federation of Accountants (IFAC)
- Japanese Institute of Certified Public Accountants (JICPA)
- Junta de Decanos del Colegio de Contadores Públicos de Perú
- Nordic Federation of Public Accountants (NRF)
- Pan African Federation of Accountants (PAFA)
- Professional Accountants in Business Committee (IFAC)
- Royal Netherlands Institute of Chartered Accountants (NBA)
- Society of Certified Accountants and Auditors in Kosovo (SCAAK)
- South African Institute of Chartered Accountants (SAICA)
- South African Institute of Professional Accountants (SAIPA)
- The Edinburgh Group
- The Institute of Chartered Accounts in Cameroon
- The Malaysian Institute of Certified Public Accountants
- Transparency International EU
- Union of Chambers of Certified Public Accountants of Turkey (TURMOB)
- Wirtschaftsprüferkammer, Germany

Regulator[418]

- Abu Dhabi Accountability Authority (ADDA)

[418] Comments were grouped under the "Regulator" heading if they self-identified as such in their comment letter or if their website described the organization as having regulatory responsibilities. As a result, certain entities that serve both regulatory and professional membership functions may be grouped under the "Regulator" heading.

- Audit Oversight Board of Germany
- Auditing and Assurance Standards Board of Australia (AUASB)
- Board of Accountancy of Philippines
- Canadian Public Accountability Board (CPAB)
- Canadian Securities Administrators (CSA CAC)
- Capital Markets Authority of Kuwait
- Central Bank of Brazil
- Certified Public Accountants of Ireland
- Chief Accountant of the Securities and Exchange Commission, U.S.A.
- Committee of European Audit Oversight Bodies (CEAOB)
- European Banking Authority (EBA)
- European Securities and Markets Authority (ESMA)
- Federal Audit Oversight Authority, Switzerland (FAOA)
- Financial Reporting Council, UK
- Finanstilsynet
- Institute of Chartered Accountants of Barbados (ICAB)
- Institute of Chartered Accountants of Nigeria (ICAN)
- International Forum of Independent Audit Regulators (IFIAR)
- Korean Institute of Certified Public Accountants (KICPA)
- Malaysian Institute of Accountants (MIA)
- National Association of State Boards of Accountancy (NASBA)
- Office of the Superintendent of Financial Institutions Canada (OSFI)
- Public Accountants Council for the Province of Ontario
- Public Interest Oversight Board (PIOB)
- Securities and Commodities Authority of the United Arab Emirates
- Zambia Institute of Chartered Accountants (ZICA)

Researcher

- Common Content (CCP)
- Dr. Hilary Lindsay
- Dr. Stephen Glover, Dr. Douglas Prawitt, Dr. Mark Taylor
- Erasmus School of Accounting and Assurance (ESAA)
- Massey University, New Zealand
- Mr. Abdul Muheet Chowdhary
- Mr. Derek Ariss
- Ms. Susan Koski-Grafer

- Professor Steven Salterio
- RMIT University

Individual

- Mr. Fermín Del Valle
- Mr. Jon Grant
- Mr. Marc Pickeur
- Mr. Mark Spofforth
- Ms. Mira Makar
- Mr. Nick Hasyudeen
- Tokiko Yokoi

Appendix B: Commenters By Region

* Denotes transnational organization.

Africa

- AFROSAI-E
- Ahmed Zakari and Co Nigeria
- Association of Accountacy Bodies in West Africa
- Association of National Accountants of Nigeria
- Benin Institute of Chartered Accountants OECCA BENIN
- Independent Regulatory Board for Auditors, South Africa (IRBA)
- Institute of Certified Public Accountants of Uganda (ICPAU)
- Institute of Chartered Accountants of Nigeria (ICAN)
- Office of the Auditor-General for the Federation, Nigeria
- Pan African Federation of Accountants (PAFA)
- RSM International Ltd
- RSM South Africa
- South African Institute of Chartered Accountants (SAICA)
- South African Institute of Professional Accountants (SAIPA)
- The Institute of Chartered Accounts in Cameroon
- Zambia Institute of Chartered Accountants (ZICA)

Australia/Oceania

- Accounting Professional & Ethics Standards Board (APESB)
- Auditing and Assurance Standards Board of Australia (AUASB)
- Australian Institute of Company Directors (AICD)
- CA ANZ and ACCA (joint submission)
- Chartered Accountants Australia and New Zealand (joint submission)
- CPA Australia
- External Reporting Board, New Zealand (XRB)
- Financial Reporting Council, Australia
- Global Accounting Alliance (GAA)
- Group of 100, Australia
- Institute of Public Accountants, Australia
- Massey University, New Zealand
- Office of the Auditor-General of New Zealand
- RMIT University

East Asia

- Asean Federation of Accountants

- Board of Accountancy of Philippines
- Chinese Institute of Certified Public Accountants (CICPA)
- Hong Kong Institute of Certified Public Accountants
- Institute of Indonesia Chartered Accountants (IAI)
- Institute of Singapore Chartered Accountants (ISCA)
- International Forum of Independent Audit Regulators (IFIAR)
- Japanese Institute of Certified Public Accountants (JICPA)
- Korean Institute of Certified Public Accountants (KICPA)
- Malaysian Institute of Accountants (MIA)
- Mr. Derek Ariss
- Mr. Nick Hasyudeen
- The Malaysian Institute of Certified Public Accountants

Europe

- Aberdeen Standard
- Accountancy Europe
- Accountants Association Poland
- Audit Oversight Board of Germany
- Audit Scotland
- Auditor General of Wales
- Auren*
- Austrian Financial Reporting and Audit Committee (AFRAC)
- Baker Tilly International*
- BDO*
- Certified Public Accountants of Ireland
- Chartered Accountants Ireland
- Chartered Institute of Public Finance and Accountancy (CIPFA)*
- Comité de Integración Latino Europa - América (CILEA)*
- Committee of European Audit Oversight Bodies (CEAOB)
- Common Content (CCP)
- Compagnie Nationale Des Commissionaires Aux Comptes and Conseil Superieur De L'Ordre Des Experts-Comptables of France - joint responses
- Consiglio Nazionale Dei Dottori Commercialiste e Edgli Esperti Contabili - CNDCEC
- Consultative Committee of Accountaby Bodies Limited (CCAB)
- Deloitte*
- Dr. Hilary Lindsay
- Erasmus School of Accounting and Assurance (ESAA)

- Ernst & Young Global Limited*
- Eumedion Corporate Governance Forum
- European Banking Authority (EBA)
- European Federation of Accountants and Auditors for SMEs (EFAA)
- European Group of International Accounting Networks (EGIAN)
- European Investors and Vereniging can Effectenbezitters, Netherlands
- European Securities and Markets Authority (ESMA)
- Expert Suisse
- Federal Audit Oversight Authority, Switzerland (FAOA)
- Fédération des Experts Comptables Méditerranées (FCM)
- Fédération Internationale des Experts-Comptables Francophones (FIDEF)
- Financial Reporting Council, UK
- Finanstilsynet
- FinExpertiza Network
- Grant Thornton International*
- HLB International*
- HW Fisher & Company
- Institituut van de Accountants en de Belastingconsulenten. Institut des Experts-comptables et des Conseils Fiscaux, Belgium
- Institut Der Wirtschaftsprefuer, Germany (IDW)
- Institute of Certified Public Accountants of Greece (SOEL)
- Institute of Chartered Accountants in England and Wales (ICAEW)
- Institute of Chartered Accountants of Scotland (ICAS)
- Instituut van de Bedrijfsrevisoren. Institut des Réviseurs d'Entreprises, Belgium
- International Association of Insurance Supervisors (IAIS)*
- International Corporate Governance Network (ICGN)*
- International Organization of Supreme Audit Institutions (INTOSAI)*
- Investment Association (theia)
- Irish Auditing & Accounting Supervisory Authority (IAASA)
- Kingston Smith LLP
- KPMG*
- Kreston International*
- Moore Stephens LLP - MSIL*
- Mr. Jon Grant
- Mr. Marc Pickeur
- Mr. Mark Spofforth

- Ms. Mira Makar
- National Audit Office, UK
- Nordic Federation of Public Accountants (NRF)
- Public Interest Oversight Board (PIOB)*
- Royal Netherlands Institute of Chartered Accountants (NBA)
- Sarasin and Partners LLP
- Society of Certified Accountants and Auditors in Kosovo (SCAAK)
- The Edinburgh Group*
- Transparency International EU
- Wirtschaftsprüferkammer, Germany

Middle East

- Securities and Commodities Authority of the United Arab Emirates
- SIA Management Consulting, Dubai
- Union of Chambers of Certified Public Accountants of Turkey (TURMOB)
- Abu Dhabi Accountability Authority (ADDA)
- Capital Markets Authority of Kuwait

North America

- Institute of Internal Auditors (IIA)*
- International Accounting Education Standards Board (IAESB)*
- International Accounting Education Standards Board Consultative Advisory Group (IAESB CAG)*
- International Auditing and Assurance Standards Board (IAASB)*
- International Ethics Standards Board for Accountants (IESBA)*
- International Federation of Accountants (IFAC)*
- Association of Certified Chartered Accountants (ACCA)*
- Ms. Susan Koski-Grafer
- Association of Supervisors of Banks of Americas (ASBA)*
- MNP LLP, Canada
- National Association of State Boards of Accountancy (NASBA)
- Office of the Auditor General of Alberta
- Office of the Auditor General of Canada
- Office of the Superintendent of Financial Institutions Canada (OSFI)
- Professional Accountants in Business Committee (IFAC)*
- Public Accountants Council for the Province of Ontario
- Public Sector Accounting Board of Canada
- PWC*

- Professor Steven Salterio
- Auditing and Assurance Standards Board of Canada (AASB)
- World Council of Credit Unions (WOCCU)*
- Auditing and Assurance Standards Oversight Council of Canada (AASOC)
- Auditing Standards Committee of the Auditing Section of the American Accounting Association
- Canadian Public Accountability Board (CPAB)
- Canadian Securities Administrators (CSA CAC)
- Center for Capital Markets Competitiveness (CCMC)
- CFA Institute*
- Chief Accountant of the Securities and Exchange Commission, U.S.A.
- Council of Institutional Investors, U.S.A.
- CPA Canada
- Crowe Horwath International*
- Dr. Stephen Glover, Dr. Mark Taylor
- Government Accountability Office, U.S.A. (GAO)
- American Institute of Certified Public Accountants (AICPA) and Chartered Institute of Management Accountants (CIMA)
- Institute of Chartered Accountants of Jamaica (ICAJ)
- Institute of Chartered Accountants of Barbados (ICAB)
- Institute of Chartered Accountants of the Caribbean (ICAC)
- Provincial Auditor of Saskatchewan

South America

- Institute of Independent Auditors of Brazil (IBRACON)
- Instituto Nacional de Contadores Publicos, Colombia (INCP)
- Central Bank of Brazil
- Consejo Elaborador de Normas de Contabilidad y Auditoría (CENCYA)
- Conselho Federal de Contabilidadde (CFC)
- Costa Rican Association of Public Accountants
- Mr. Fermín Del Valle
- Junta de Decanos del Colegio de Contadores Públicos de Perú
- Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE)
- Consejo Profesional de Ciencias Economicas de la Ciudad Autonoma de Buenos Aires – Argentina

South Asia

- Institute of Chartered Accountants of Pakistan (ICAP)

- Institute of Chartered Accountants of Sri Lanka
- Institute of Cost and Management Accountants of Bangladesh (ICMAB)
- Mr. Abdul Muheet Chowdhary
- Institute of Chartered Accountants of Bangladesh (ICAB)
- Institute of Chartered Accountants of India (ICAI)

Unknown

- Tokiko Yokoi