

INTERNATIONAL STANDARD SETTING IN THE PUBLIC INTEREST

Current arrangements for international standard setting¹, which encompass a combination of public and private sector roles, provide a structure and process that operate and are seen to operate in the public interest, in a context in which there are needs for legitimacy, independence, transparency, performance (encompassing technical competence, responsiveness, and efficiency) and accountability.

Objectives in designing the arrangements for shared responsibility for international standard setting

There are three key aspects of the arrangements for the system for international standard setting:

- The overriding objective in the design of the standard-setting process is to ensure that the institutional arrangements are, and are seen to be, properly responsive to the public interest at a global level.
- A key issue for the public interest is the legitimacy and independence of the standard-setting process, in order to increase public confidence in standard-setting arrangements and, ultimately, to strengthen financial reporting. Key elements of the arrangements to increase legitimacy and independence are an external process for monitoring and oversight of standard setting, and increased transparency.
- It is important to maintain and continuously improve the technical competence of the standard-setting process while ensuring that there is a sufficiently strong element of public oversight to achieve the first two objectives above.

Public interest

Central to arrangements to protect the public interest is the Public Interest Oversight Board (PIOB), with a responsibility to exercise oversight of the standard-setting activities carried out by the IAASB, the IESBA, the IAESB, and of the activities of the Compliance Advisory Panel.

Legitimacy

Legitimacy is achieved:

- when standard-setting arrangements, both in structure and process, give standards the level of authority necessary, in an international setting, to generate confidence in the standards of auditing and assurance, ethics and accounting education, and—through those—confidence in financial reporting;
- in part, through independence, high levels of transparency, and appropriate levels of performance from the standard setter; and
- through accountability of the standard setter to stakeholders, especially the international regulatory community.

Transforming principles into practice

An effective system of shared responsibility for standard setting must be able to bridge the divide between principles and practice. In this respect, it is necessary that internal policies and procedures ensure that principles upon which the system is designed are reflected in the way the organization actually operates and that cooperation with regulatory bodies is consistent and highly functional.

¹ Independent standard-setting boards supported by IFAC include the International Auditing and Assurance Standards Board (IAASB), the International Ethics Standards Board for Accountants (IESBA), and the International Accounting Education Standards Board (IAESB). IFAC also supports the International Public Sector Accounting Standards Board (IPSASB), which currently is not subject to oversight by the Public Interest Oversight Board (PIOB).