

Introduction

As a preamble to our response, we first wish to reiterate our view that the standard setting model, as it is currently organised since the implementation of the IFAC reform in 2003, has led to the issuance of high quality standards widely recognised internationally. The current multi stakeholders, private-public standard setting model, overseen and monitored by the regulatory community is not broken.

That being said, the consultation of the PIOB raises some important questions on the Standard Setting model overall. The Monitoring Group is carrying a similar reflection on the future of the model, for that reason we believe that whatever comes out of this consultation should not be considered without having a holistic view on the Standard Setting model and before the reflection with the Monitoring Group has come to a conclusion.

Identification of threats to the public interest

Q1. Do you think the process currently in place to identify risks to the public interest is appropriate? Can you suggest any improvements?

Yes, we think that the current process to identify risk to the Public interest is appropriate. The transparency brought to the Standard Setting through:

- the issuance of exposure drafts and the thorough analysis of comments received,
- the discussions at the CAG,
- the various outreach carried by the boards,
- the fact that the meetings are public and all discussions recorded
- the oversight of the due process by the PIOB

makes the Standard setting process transparent, robust and widely inclusive and allows for a proper identification of public interest issues.

Q2. In addition to investors and regulators, are there any other stakeholders that you think merit further representation in the standard setting process?

As a matter of principle, we believe that the Standard Setting process needs to gather all key stakeholders acting for the safety and reliability of the financial information. We wish to confirm that the profession is key to the standard setting model. It brings technical expertise around the table and, as it is the practitioners who are ultimately going to apply the standards, it is therefore of the highest importance that the profession continues to play a key role in the standards setting process. In addition to representatives of the profession, of investors and regulators, the composition of the boards could usefully include representatives of Audit committees given their responsibilities over the audit quality and process. However, as mentioned above, it must be noted that those standards are by nature technical and they must therefore benefit from the practical implication of the profession in order to remain relevant. It is of the utmost importance that the standards continue to be able to support the

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audit opinion; leaving enough importance to the professional judgement- which is key to the responsibility of the auditor and that they do not only serve the needs of the regulator for enforcement and inspection purposes. Standard Setting is at the crossroad of the needs of:

- the investors to have reliable information;
- the profession to support the audit opinion;
- the audit committees to fulfil their responsibilities on the financial statements;
- the regulators to assess audit quality.

A right balance must be found between these various needs and the profession must keep a key role in the process.

Q3. Do you see any benefit in the introduction of a public member Chair of the Nominating Committee for the selection of SSB members and Chairs?

We understand that the issue is currently under discussion between IFAC and the MG and it is, in our opinion, where the discussion should rightly take place, since the MG is in charge of monitoring the proper implementation of the IFAC reform.

We reiterate that, in our view, what counts the most is the robustness of the due process of selection of candidates and the absence of bias that leads to choosing the “best person for the job”. It is also important that the due process leads to a consensus based choice.

However, if it was considered necessary to have an independent chair to the Nominating Committee in order to address a perception issue, we consider that this chair should be both - independent from the profession and from the regulatory community. It would also mean that it needs to be independent from the PIOB; otherwise the PIOB would both be party to the process and overseeing the process, which is incompatible.

To overcome those difficulties, a possibility would be that the independent chair does not participate in the choice of the candidate but oversee the respect of the due process for selecting candidates. However, since that is already the role of the PIOB when observing the nominating committee, this role is already fulfilled.

An independent chair should in any case, be an individual with sufficient repute and status that nobody could question his or her independence from any stakeholders.

Do you see any benefit in an entirely separate Nominating Committee constituted by public members for this purpose?

We do not believe that an entirely separate committee composed of public members could be beneficial. In fact, a Nominating Committee composed only of public members could well be perceived as not representative of all the stakeholders. As we mentioned above, what is important is that the nominating process be robust and unbiased. An additional transparency on the criteria for the selection of members of the boards and how they met the criteria may enhance the confidence in the process.

Q4. Do you believe Public Members bring perspectives on the public interest different from those of the accounting profession?

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All board members are committed to serve in the public interest. The Audit is in fact an engagement carried in the public interest. It is therefore a delusion to believe that only public members bring a public interest perspective to the table. It is also a misconception to believe that public member only bring a regulator's perspective to the table. Public interest is a multifaceted issue. That is why we believe that a multi stakeholder's model is most appropriate. What is important is that the due process ensures that the public interest is taken into account and for that, the role of the PIOB in overseeing the due process is crucial.

Q5. Do you think that Public Members should receive modest remuneration for their contribution to standard setting in the absence of a sponsoring organization? If so, who should pay?

This question should be answered in the overall review of the Standard setting model carried with the Monitoring Group.

Strengthen PIOB Oversight

Q6. Did you come across cases where auditing, ethics and education standards did not adequately respond to your public interest concerns?

No. As mentioned above we consider that the standard setting model, as it is currently organized since the implementation of the IFAC reform in 2003, and overseen by the PIOB has led to the issuance of high quality standards widely recognized internationally.

Q7. Technical work on a standard under development is in the first instance undertaken by working groups or task forces. Do you see any benefit in the PIOB being involved at an earlier stage by overseeing working groups and or task forces?

No. The work of task forces is mostly technical. When a document arrives on the table of the board, the most relevant questions and issues are discussed and challenged under the oversight of the PIOB. An involvement of the PIOB at the taskforce level would not be necessary since the issues are discussed at the board where the PIOB is present and observes the debates.

Q8. Where do you see gaps in the PIOB's oversight?

We do not see any gaps in the PIOB oversight. It is important that no confusion be brought between the role of those who vote the standards (the board) and those who oversee the process (the PIOB) otherwise, the model would be broken. It is not possible to imagine an oversight which states that the due process has been respected and, at the same time, mentions that it does not like the end result. If the due process has been respected then, the end result has to be accepted as being the right one.

Q9. Do you think the length of time taken in standard development should be shortened in the public interest? If so, how can the need for public consultation and respect for due process be balanced?

Under certain exceptions such as the auditor's report for example, standards often follow the evolution of practice instead of preceding it. It is therefore normal that standards be sometimes behind the evolution of practice. Overall, standard setting takes time. A model whereby board members would rather discuss the significant options and staff would refine the drafting could probably improve the speed of the board's work. However the legal implications linked to the compliance with the standards makes their drafting very important, especially in litigious environment.

Supporting Accounting Education

Q10. What topics would you consider – from a public interest perspective - essential additions to the present education curricula?

Our understanding is that the education board does not define the content of the education curricula. Instead, the education board sets standards that provide a benchmark for accounting education but it does not go down to the level of education curricula which are the responsibility of Universities, schools and professional organisations.

However, if the question was meant to seek views on potential new topics for the Education Board, it is certain that technological evolution is changing the world at a speed never experienced before. The education of the accountancy profession will need to evolve to take into account those evolutions.

It is, however, not yet clear whether the issue of the technological revolution and its impact on the role and work of the accountancy and auditing profession will be handled through multidisciplinary teams or through an evolution of the competencies of the accountancy profession.

Q11. Can you suggest how the PIOB might enhance its understanding of the public interest issues relevant to international accounting education standard-setting, and to accounting education practices and processes?

A lot of documents are being published at present by various institutes on the impact of technology on the corporate organisations and hence, on the profession or more broadly on the future of the profession.

Such publications can certainly provide interesting context for the PIOB to enhance its understanding of the public interest issues relevant to accounting education, practices and processes.

Adoption and implementation

Q12. In your opinion, what else could the PIOB do to encourage adoption and implementation of international standards (ISAs, the Code of Ethics, and the IESs)?

The PIOB should support the adoption of ISAs, for example in Europe, by praising their quality and the fact that they have been designed in the public interest, through the respect of a solid due process. The PIOB should be the proponent of the international standards.

Transparency and communication

Q13. Do you find the PIOB Quarterly Updates useful?

Yes.

Q14. Is there anything the PIOB could do to improve the understanding of its role as a defender of the public interest?

See response to question 12 above.

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The PIOB should explain that it oversees not only the respect of the due process but the respect of the public interest in the due process.

Q15. What would you think should be the role of the PIOB in the longer run given the set of reforms currently contemplated?

At this stage, we consider that the role of the PIOB should overall remain unchanged at least until the discussion with the Monitoring group are complete. Whatever the conclusions are it is difficult to imagine a role whereby the PIOB would oversee the due process and be involved in technical matters; this would be incompatible.