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## 2017-2019 PIOB STRATEGY PUBLIC CONSULTATION PAPER

Dear Sir/Madame

In response to your public consultation paper, we are pleased to be able to provide our comments on some of the issues raised. In general we believe the standard setting process of the IAASB and IESBA is well functioning and has proven their value over the course of years.

There are always areas of improvements in any system – the standard setting in the area of auditing standards and ethical requirements being no exception – but in our view there is no need to make fundamental changes. We believe the structure with Standard Setting Boards (SSBs), Consultative Advisory Groups (CAGs) and the PIOB-oversight being the formal structure ensures a robust basis for standard setting and allows for stakeholder input. We believe the standards and ethical requirements are well suited and respond to the issues raised and identified.

The system with the Consultative Advisory Groups have proven very successful in terms of ensuring the gathering of broader viewpoints from stakeholder groups. The discussions at the CAGs are different from the discussions at the Standard Setting Boards due to the divergence of backgrounds represented at the CAGs. For the member organisations of the CAGs, having two yearly sessions with the SSBs and being able to debate and provide advice on the projects is a very efficient way of providing input to the SSBs. The richness and nuances of the debate during the CAG meetings allows the SSBs to better understand the viewpoints and shed new light to some of the comment letters. The debates often flesh out issues of public interest – both in the course of standard setting but also on emerging issues. We observe that the CAG 's are constantly trying to ensure that the relevant stakeholders are represented. In order to reach even further, we suggest that the SSB's and the CAGs jointly host regional one-day meetings across the SSB's and the CAGs allowing stakeholders to provide holistic input on the agenda's, inform the SSB's on current trends and risks and receive information about the current project suite. Regional one-day meetings would also be an efficient way to attract potential CAG member organisations and raise awareness on the work being done by the SSB's and the CAGs.

Another strength with the current system is the link to practical experience from the vast and divergent backgrounds of the members of the standard setting boards. This is achieved by ensuring that standard setting is not a full time job for the standard setting boards. Thus, Board members will have first-hand experience on the impact of the standards, being from a practitioner as well as a stakeholder experience. Having said this, there are merits in ensuring that participation and contribution to a SSB is not solely dependent on a sponsoring organisation. Therefore, ensuring that at least costs are covered for SSB's without a sponsoring organisation should be a basic prerequisite.

The composition of the SSB's is a key issue in terms of ensuring not only the quality and technical knowledge, but also the broader public acceptance. Given the fact that technical advisors assist practitioners and non-practitioners from IFAC member bodies as a main rule – where this is not always the case of public members – we believe it is possible to rebalance the composition of the SSB's without losing significant amount of technical knowledge. This could be achieved by reducing the representation from practitioners and non-practitioners from IFAC member bodies and increasing the representation from preparers, audit committees and investors in addition to the public members already represented at the SSB's.

In order to further strengthen the independence of the Standard Setting Boards, we believe the nomination committee should be separated from IFAC and should have an independent chair.

One of the inherent drawbacks of having an extended due-process structure is of course, that developing new standards does take some time. However, only in rare circumstances does the normal due-process initiatives pose a problem to deliver timely. The example on NOCLAR in the PIOB paper is a specific example where due process served its purpose as the IESBA Board needed to rethink the proposal and re-expose the changes. Therefore, this specific project did run for a longer period than the average projects, but it is important to respect the due process and react to the responses. However, most of the projects are completed without a re-exposure and in a shorter timespan than the five years indicated in the PIOB-paper.

We believe most of the steps in the due process are necessary. The SSB's and the PIOB should consider whether technology could facilitate a shorter process, but the importance of discussing the topics at physical meetings should not be under-estimated. A particular concern is the exposure process. The current exposure process does include all the relevant questions in the exposure document, but often the responses from particular stakeholder groups are limited. We would suggest supplementing the general exposure draft with a short exposure draft (or executive summary) highlighting the key issues of relevance for non-practitioners or making use of the suggested regional one-day meetings to gather comments.

A significant amount of the time spend on a project is spend in task forces, where the detailed analysis of the comment letters takes place. Task forces also prepares the issue papers for the Board discussions. Having sufficient amount of technical knowledge is important in the task forces. However, in general we believe that task forces should be

balanced and that the involvement of Technical Advisors directly in the task forces should be carefully considered in order to cater for the public perception. We observe that Technical Advisors are not subject to the normal approval process that Board Members are subject to and extensive use of TA's may in fact shift the balance of the Boards. To the extent that task forces needs either resources or expertise not available in the Board, we believe the SSB's should define the specific needs. We also observe that TA's may participate to task force meetings in their capacity to assist their board member.

All the above efforts are in vane if the standards and codes are not being recognised internationally. Adoption of the standards and uniform implementation are two very important aspects of this. We do want to highlight our support to the global standards and the Code. It is our understanding that global standards and ethical requirement do foster trade and transparency. The current monitoring conducted by the Compliance Advisory Panel (CAP) under IFAC, the World Bank and the oversight bodies needs to be better coordinated in order to ensure that work is not duplicated. It is important that especially the monitoring conducted by the CAP and the oversight bodies are recognised and have a level of detail that allows SSB's to understand and react to the specific issues. It is – for instance – not enough to monitor that independence is breached without specifying how independence is breached. On the implementation and adoption, the work performed by the CAP should clearly illustrate whether the Code or the Standards are adopted (fully or partial) and whether there are significant addition requirements in local legislation. The PIOB could play an essential role in ensuring this common coordination between Monitoring Group members, the CAP and the SSBs.

The PIOB has been an important catalyst for the development of the standards and ethical requirements due to their continuous oversight and engagement in the process. The direct oversight at the SSB and CAG meetings are important for both the PIOB and the members of the CAG's and SSB's as the direct interaction is essential during the debates. We do not believe the PIOB should participate in task force meetings in general as we believe these aspects could be covered by maintaining a dialogue between the respective staff members. The PIOB should ensure that issues of public interest is debated at the level of the CAGs and the SSBs – and indeed this is from our perspective one of the key elements of the PIOB oversight. In order to fulfil this role, the PIOB or their staff might occasional have to monitor a task force meeting, but we do not expect this to be the norm.

Yours sincerely

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