

To the Public Interest Oversight Board (via electronic mail)  
Madrid, Spain

November 12, 2016

Dear Chairman and members of the Public Interest Oversight Board,

Thank you for the opportunity to comment on your consultation on the PIOB 2017-2019 Strategy. I respond to your questions by giving my perspective as a public member of the International Auditing and Assurance Standards Board (IAASB) and a former member of the Monitoring Group. My responses are limited to the IAASB.

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

It would be helpful to learn earlier in the standard setting process the public interest areas that the PIOB has identified as important. This would help the Task Forces and Working Groups charged with drafting or revising standards to take the appropriate directions in the public interest.

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

I believe that the right distinction to make between members of IAASB is between practitioners and public members. This implies suppressing the qualification 'non-practitioner'. This also would help solving the issue that some board members are at one time considered to be non-practitioners and at another time, without their background being changed, are considered to be public members. This is not credible.

Public members should have various backgrounds: regulators, investors, preparers, academics etc. In particular the presence of audit regulators at the table, at least as observer, would be helpful. These members or observers could then share their practical experience with the standards

with the other members. Although I understand that regulators may believe that standard setting and enforcement of the standards should remain in different hands, the standard setting process would benefit highly from the audit regulators' experience. This could be achieved by having an observer of the audit regulators' community at the board table with the privilege of the floor or with one or more members having experience in audit regulation.

It would help the perception of the Board's independence if the practitioner members wouldn't be appointed directly by the Forum of Firms and the Transnational Auditors Committee. The fact that their appointment by the Forum/Committee is explicitly mentioned at the website of the IAASB enhances the perception by the public that they are their firms' representatives.

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

Public members should bring a different perspective than practitioners. It can be observed that the practitioners when taking the floor refer often to the consultations within their networks. They bring in the professional perspective of their network and not necessarily the public interest perspective.

Practitioners are an important source of technical knowledge and should remain so. Auditing standards cannot be developed without the practitioners being at the table.

The public interest perspective could be strengthened by either reducing the number of practitioners below half the members of the Board, or by increasing the weight of the public members. An example of how this could be achieved is by requiring the approval of a simple majority of the public members of each proposal for which a vote is requested/required. In practice this would mean a double majority (a simple majority of the public members as defined before and the existing two third majority of the members).

Another measure that could easily be taken to increase the transparency and hence the public interest, is publishing the dissenting opinions together with the publication of the standards. This approach is also used by the International Accounting Standards Board. Doing so would help those using the standards to understand the difficult issues and the reasons why a certain direction has not been taken.

**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 ?**

Yes. The present business model of the Board whereby all members and technical advisors are volunteers and are considered a 'cheap' reservoir of human resources for the Board is not convincing. Compensating an insufficient number of staff members with free of charge members and technical advisors is conceptually not a sound business model. Also because the time spent by members and technical advisors for the Board is important.

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

From my perspective as a banking regulator, I sometimes have the impression that the priorities are not entirely right. The revision of ISA 540 is from a public interest perspective long overdue and far more important than e.g. updating the ISA 800 series for the revised auditor's report. This is particularly true for ISA 810. This standard is hardly used in practice. I am aware that stakeholders were in favour of updating ISA 810. Such a demand is easily made when the standard is not used.

I am also concerned that too much weight is given to the number of stakeholders expressing a particular view than to the quality of their response, even of an individual response. The processing of the responses to Board's publications is too much number driven. Fortunately, the Board has to respond to individual Monitoring Group comments to compensate for the numbers ideology.

**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?**

Yes. The working groups (WG) and task forces (TF) are facing public interest issues when developing or revising standards. A presence of a

PIOB member would help understanding earlier the PIOB's areas of public interest concern (see also the response to Question 1).

The PIOB also could take a closer look at the background of the chairs of the WGs and TFs. I am not convinced that an equilibrium between practitioners and public members is achieved. In areas that are of crucial interest to the profession, like audit quality, it would be useful that practitioners play a less prominent role. I am aware that the composition of the WGs and TFs is reviewed by the PIOB, but my comment is directed at the Chairs.

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

See responses to Questions 1 and 7.

**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 ?**

A possible way forward is to limit the number of projects the Board is engaged in in order to avoid dispersion of scarce resources.

My comments above are made with the objective of making the IAASB an even better functioning standard setting Board by paying even more attention to the public interest in its functioning and how it is perceived as functioning. My comments should not be read as a fundamental criticism of the way the Board operates.

Sincerely yours,

Marc Pickeur