

Summary of IFAC Commissioned Gibson Dunn report

Background

The Monitoring Group received 179 submissions from a diverse group of stakeholders across various jurisdictions. These submissions have been published on the [IOSCO](#) website, including the transcripts of the roundtable discussions held by the Monitoring Group in key cities across different jurisdictions.

IFAC independent analysis of responses

The International Federation of Accountants (IFAC) commissioned Gibson Dunn, an international law firm, to provide an [independent report](#) which analyses the submissions to the Monitoring Group Consultation Paper.

The independent report noted that that:

- the respondents comprised investors, accounting firms, national standard setters, professional organisations (of accountants), regulators, government auditors, researchers, and individuals;
- professional organisations (32%) and national standard setters (27%) provided the most number of submissions; and
- while more than 60% of the respondents are from Europe and North America, the submissions also included responses from stakeholders in different regions of the world (i.e. Australia/NZ, Africa, Middle East, South and East Asia, South America) including transnational organisations.

The independent report focused on the respondents' views regarding the broader issues of whether:

- (a) there are significant problems with the current standard-setting process; and
- (b) the principles relating to public interest presented in the Consultation Paper should be the basis for a public interest framework for assessing whether standards are developed 'in the public interest'.

The independent report also contained an analysis of the responses to the key proposals including:

- (a) the creation of a single standard-setting board for audit and ethics standards for auditors;
- (b) changing the voting rule in approving standards from super majority (at least 2/3) to simple majority;
- (c) making the boards focus more on strategic matters; and
- (d) expanding the PIOB's role beyond oversight.

Key Matters

The independent report disclosed that the majority of stakeholders:

- did not agree that there are significant issues with the current standard-setting process (a significant number of respondents stated the current model has produced high-quality and globally accepted standards).
- were concerned that '*public interest*' has not been defined, and accordingly a public interest framework has not been established;

- did not support the proposal to create a single board for setting audit and ethics standards for auditors with concerns raised about:
 - the potential for increased workload and impact on efficiency;
 - the difficulty in finding board members who will have the expertise in both audits and ethics; and
 - the negative impact on public interest.

In addition, some stakeholders were concerned that sufficient information was not provided to support the reasons for creating a single standard-setting board.

[Note that those that did support the proposal argued that it will promote efficiency and economies of scale, would simplify the standard-setting process and ensure consistency in auditing and ethics standards for auditors.]

- disagreed with the proposals to use the simple majority voting rule which could alienate certain stakeholder groups
- disagreed with the proposals to expand the PIOB's role as there is need for independence between an oversight role and responsibility for development of standards;
- were supportive of certain proposed operational changes, such as making the Boards have more strategic focus; and
- recommended that the Monitoring Group conduct more consultations with stakeholders and consider costs and benefits of changes to the standard-setting process before implementing reforms. This is a widespread view expressed by stakeholders in their submissions.

Noted differences in comments by stakeholder locations and groups

The independent report noted that the submissions showed distinct differences in the respondents' views across geographic locations and stakeholder groups.

- Europe and the Middle East were, on average, supportive of the proposed creation of a single board. They also had the least concerns about the premise that there are significant issues with the standard-setting process. Australia / NZ expressed the strongest disagreement with this premise.
- The Middle East was the only region that supported the characterisation of 'public interest' in the Consultation Paper. They were also the most supportive of the proposal to expand the PIOB role. Australia / NZ, Africa, South America and South Asia were the least supportive of this proposal.
- Accounting firms, professional organisations, government auditors, national standard setters and researchers strongly opposed the premise that there are significant issues with the current standard-setting process. Investors and individuals, however, mostly agreed with this premise.
- Regulators were the only stakeholders that did not have a negative or neutral view about the issue relating to the absence of a definition of 'public interest' and a public interest framework.
- Investors and individuals were the only stakeholders that supported the proposal to create a single standard-setting board.
- Investors, regulators and individuals were supportive of the proposed change in the PIOB role, while other stakeholders disagreed.