

Appendix

Summary of Feedback to Questions Raised

As noted in the introduction to the Summary of Feedback, the Monitoring Group has sought to produce this appendix as a neutral representation of the responses received to the consultation in summary form. In doing so we have sought to reflect both our qualitative and quantitative analysis.

Question 1: Do you agree with the key areas of concern identified with the current standard-setting model? Are there additional concerns that the Monitoring Group should consider?

Summary of Feedback: Overall, all respondents in all stakeholder groups agreed in the importance of standards being set in the public interest. Many IFAC member bodies told us that the existing structure already provided for standards to be responsive to the public interest and that there was no need to reform it. This was not the case among all respondents – many noted that reform was long overdue, but that any reforms needed to be properly supported by appropriate evidence so as not to undermine a process which is widely regarded as having delivered high quality global standards in which investors and other users have confidence.

Most investor respondents strongly endorsed the concerns raised about the perceived lack of independence of the current standard setting process. They consider that it is not appropriate to maintain a model which is so heavily dependent on the profession for financial and logistical support and relies on audit firms and professional bodies to provide, propose and remunerate the majority of board members, which global audit firms also agreed with. Several also stressed the importance of ensuring that any changes to the standard setting process should include an element of future proofing, to ensure that standard setting is fit for the future.

Many respondents agreed with the concerns identified by the Monitoring Group as being appropriate issues to discuss. Others thought that the consultation did not include evidence to support the reform options set out in the paper. Respondents also encouraged the Monitoring Group to use reform to ensure better multi stakeholder representation at the level of the standard setting board or boards, which in turn might require a less intrusive model of oversight.

Question 2: Do you agree with the overarching and supporting principles as articulated? Are there additional principles which the Monitoring Group should consider and why?

Summary of Feedback: In general, there was support for the overarching and supporting principles as articulated in the consultation, although global audit firms noted the need for these to be aligned with the Public Interest Framework being developed. Some IFAC and regulatory stakeholders proposed the inclusion of further principles including:

- In addition to the need for standards set in the public interest to be **principles-based**, they should aim to be clearer, concise and more readily **understandable**;
- The need for standard setting to sit within a structure that is **stable** and supported by **sustainable funding**;
- The need for the standard setting board or boards to have appropriate **technical skills** to allow the development of high quality standards; and
- The need for standards to be set by bodies that have appropriate **legitimacy**, so as not to undermine the development and application of a single set of high quality, globally adopted standards.

Investors who responded to the consultation stated that further principles should include:

- Allowing for **better co-ordination and integration** between accounting and auditing standards; and
- Ensuring that standards are readily **enforceable**.

Question 3: Do you have other suggestions for inclusion in a framework for assessing whether a standard has been developed to represent the public interest? If so what are they?

Summary of Feedback: Most respondents stated that this question was difficult to answer until the Monitoring Group makes available the public interest framework. Some regulator and audit firm respondents, particularly the global firms also emphasised the importance of the framework in ensuring that the standards that are developed are principles-based. Investors strongly advocated the view that to represent the public interest effectively, standards should explicitly consider the needs of users, including the importance of them better supporting investor protection by requiring high quality audit work, and facilitating regulatory enforcement action where audit work falls short of what is required. The Monitoring Group recognises the need for further consultation in this area, and looks forward to receiving more developed views.

Question 4: Do you support establishing a single independent board, to develop and adopt auditing and assurance standards and ethical standards for auditors, or do you support the retention of separate boards for auditing and assurance and ethics? Please explain your reasoning.

Summary of Feedback: Responses to this question were amongst the most strongly contested. Most investors, and larger audit firms supported a single board. Other stakeholders highlighted the opportunity for better co-ordination in developing or revising standards of both types, and also the fact that it would better focus on the need to develop more rigorous requirements to address risks posed to auditor independence (which is the Monitoring Group's own remit) by embedding ethical requirements and the need for integrity more explicitly into auditing standards.

Additionally, some respondents commented that a two-board approach will be more expensive to maintain, affecting the sustainability of standard setting over the medium term. See also the summary of feedback to **Question 6**, which is linked closely to the responses to this question.

Others told us they preferred retaining a two-board model to set auditing and assurance and ethical standards for auditors, this included some national standard setters and regulators. Respondents stated that the disadvantages of a single board included managing the breadth of the board's work, the difficulty in getting board members with the skills and experience to cover such a diverse remit, and the fact that the focus on auditing standards would 'crowd out' a proper focus on ethical matters. Those who favoured two boards to set auditing and assurance and ethical standards suggested the advantages of a single board could be achieved through the development of a mechanism to ensure that appropriate and effective co-ordination exists.

A small number of respondents supported the option for a single board, as long as it only developed standards for public interest entity engagements. However, global audit firms stated the importance of maintaining a single set of global standards in their responses.

Question 5: Do you agree that responsibility for the development and adoption of educational standards and the IFAC compliance programme should remain a responsibility of IFAC? If not, why not?

Summary of Feedback: There was widespread support from respondents in most stakeholder groups, except for some regulators, that IFAC should continue to be responsible

for the development of International Educational Standards (by supporting the ongoing work of the IAESB), and many noted that this aligned well with the work of IFAC's member bodies. A number of IFAC member body respondents stated that the role and focus of the IAESB should change, and rather than seeking to develop and issue further standards, the IAESB should focus on developing supporting application material, to assist better in the embedding of the standards developed by the existing Board.

There was also support for IFAC retaining its compliance role in respect of the global profession, although respondents highlighted the need for this to be subject to a clear agreement between IFAC and the Monitoring Group as to respective responsibilities.

Question 6: Should IFAC retain responsibility for the development and adoption of ethical standards for professional accountants in business? Please explain your reasoning.

Summary of Feedback: Rather than focusing on whether or not responsibility for setting ethical standards for professional accountants in business should remain with IFAC, the majority of respondents felt that the same body should remain responsible for setting ethical standards for professional accountants in business *and* auditors, a view that was held irrespective of whether final reforms result in a one or two board approach to standard setting. This view was also emphasised by some national standard setters. The option to separate out ethical standards for professional accountants and auditors did receive support from some regulatory stakeholders and some investors and audit firms, with some suggesting that this could be an issue where there could be better coordination with the IASB as it develops the standards that are used by preparers.

IFAC member bodies supported an ongoing role for IFAC, as it offers a perspective drawn from the profession globally, which ensures that the standards developed are widely used, and informed by diverse global feedback. However, we received strong feedback from investors and regulators that they did not support an ongoing role for IFAC in ethical (and auditing and assurance) standard setting. Those respondents considered allowing the profession to continue to set standards would have an adverse impact on public confidence.

Question 7: Do you believe the Monitoring Group should consider any further options for reform in relation to the organisation of the standard-setting boards? If so please set these out in your response along with your rationale.

Summary of Feedback: A significant number of respondents stated that the Monitoring Group must keep in mind the overall aim of developing a single set of high quality, scalable and responsive global standards that can be applied to all types of audit engagement in the broadest range of different jurisdictions. Respondents also stated that the proceedings of task force meetings should be public, like the current boards are, in order to make the standard setting process more transparent and publicly accountable.

A number of respondents suggested that in addition to retaining the CAG to support standard setting, any reformed board or boards should also be supported by a technical advisory group as a way of drawing on a wider range of stakeholder views (some respondents said that a technical advisory group would allow for the CAG to be dissolved). Some stakeholders also suggested that if the two standard setting boards are retained, then consideration should be given to a co-ordination board or committee to ensure better alignment between the two boards. Additionally, a number of investors and other users of audited financial statements again stressed the importance of having better coordination between auditing and accounting standards

Question 8: Do you agree that the focus of the board should be more strategic in nature? And do you agree that the members of the board should be remunerated?

Summary of Feedback: Many users of financial statements who responded to the consultation supported the view that the board or boards should be more strategic in nature, and that technical staff should undertake detailed drafting rather than board members. However, respondents from all stakeholder groups also emphasised the importance that the Board as a whole needs to have sufficient technical skill to critically review draft standards and ensure that they are fit for purpose, and also to oversee the work of, and challenge the views of the technical staff.

A number of respondents, mainly regulators and large audit firms also stated that a more strategic focus by standard setting boards would help to ensure that they focus more explicitly on the importance of setting principles-based standards which lend themselves better to the application of professional judgment and also support innovation by auditors to better serve the needs of users and other stakeholders. This focus should create greater capacity at the level of the board or boards to respond to standard setting needs. However, the same group of respondents clearly stated the importance that the board or boards as a whole should have the technical skills and competence to be able to challenge staff and to guide projects to ensure that they deliver the agreed outcomes.

On the issue of remuneration, there was support for the remuneration of board members, as it was felt that this would broaden the pool of candidates who may be willing to apply, particularly those from a non-practitioner background. Being remunerated for standard setting work would also ensure that board members are not beholden to another organisation, entity or firm to meet their costs, which would help to address the perceived lack of independence in the current mechanism. Remuneration should be commensurate to the time commitment required for a public interest role, and a number of respondents stated that for part time board members this should be comparable to the levels of remuneration awarded to non-executive directors.

Question 9: Do you agree that the board should adopt standards on the basis of a majority?

Summary of Feedback: There was very little support for standards to be set on the basis of a simple majority. Most respondents pointed out the need for standards to be set in a way that demonstrates to users that they have widespread support and credibility from a diversity of stakeholder groups and geographic regions. Respondents were of the view that a qualified majority ensures the development of high quality standards and prevents the adoption of standards in which there may be a significant flaw. Given this need for credibility, a significant majority of respondents endorsed a qualified majority approach of either two-thirds or three-quarters of board members required to approve a standard, and which should prevent a standard failing to gain approval because of the opposition of a single stakeholder group. Many also noted that in practice, being able to approve a standard on the basis of unanimity demonstrates to stakeholders that they can have confidence that the standards have wide buy in and support, which in turn supports the global adoption of a single set of standards.

In a small number of responses, the respondent stated that it was important that where a board member did not support a standard, they should set out as a matter of public record why they felt unable to support that standard.

Question 10: Do you agree with changing the composition of the board to no fewer than twelve (or a larger number of) members; allowing both full time (one quarter?) and part-time (three quarters?) members? Or do you propose an alternative model? Are there other stakeholder groups that should also be included in the board membership, and are there any

other factors that the Monitoring Group should take account of to ensure that the board has appropriate diversity and is representative of stakeholders?

Summary of Feedback: The responses to this question provided a diverse range of views, from those who strongly supported a smaller board (of 8-12 members) to support effective decision making and to adhere to best practice in good governance (mainly investors and users of financial statements), to those who favoured the retention of the existing larger boards (of 15-18 members) as they felt that they allowed for more diverse stakeholder and geographic representation.

Most respondents stated that the composition should not be driven by an arbitrary number of members from different stakeholder groups but should focus on including the right mix of members to support the multi stakeholder concept which was widely endorsed. A number of IFAC member bodies, national standard setters and smaller audit firms emphasised the importance of ensuring that small and medium-sized entities and practitioners (SME/SMP) are represented within the board structure, to ensure that the standards are scalable and suitable for all types of audit and assurance engagements.

There were a range of different views about whether standard setting board members should be full time or part time – those favouring a full-time role said that it would help to ensure the independence of those board members by reducing potential conflicts of interest. Those supporting part time roles did so as they believed that full time positions would only be attractive to practitioners and members of professional bodies – this was strongly supported by the investor community. Some respondents raised a concern that a mix of full time and part time members would create a two-tier board membership.

Question 11: What skills or attributes should the Monitoring Group require of board members?

Summary of Feedback: There was broad stakeholder endorsement of the skills and attributes referred to in the consultation. In addition, many IFAC member bodies supported maintaining the skills requirement of the existing boards, and also emphasised the importance of board members having appropriate technical skills to allow them to contribute fully to the standard setting process. IFAC member body respondents also reiterated the importance of the multi stakeholder model and the board or board membership including appropriate representative diversity. A number specifically referred to the need for this to include with the board or boards understanding of the SME/ SMP perspective.

Many respondents, from all stakeholder groups, emphasised the importance of board members having a good understanding of the public interest, and raised questions about whether the ‘three constituencies’ of auditors, regulators and users proposed by the Monitoring Group would narrow the group of stakeholders who could be represented in standard setting, which would have an adverse impact on the work of the board or boards. The importance of board members having softer skills including stakeholder engagement, policy and strategy development was seen by several respondents as being just as important as technical auditing skills. Some respondents stated that they would like the Monitoring Group to develop a skills matrix as discussed in the consultation and include that along with the final consultation when it is issued for consultation with the white paper.

Question 12: Do you agree to retain the concept of a CAG with the current role and focus, or should its remit and membership be changed, and if so, how?

Summary of Feedback: Most of the respondents supported the retention of the CAG as a way of providing advice and an opportunity for consultation. However, a significant number of respondents, and in particular, investors raised the need for the CAG membership to be

widened to include more stakeholders from the user community and to allow for a better geographical balance in representation. Respondents proposed that the CAG should be supplemented by additional consultative or advisory fora. Some referred to the example of the IASB's Advisory Forum as being a good example to emulate, or suggested that a technical advisory group be established to support the technical work of the board or boards generally, and also in respect of particular standards or subjects which would benefit from targeted stakeholder input.

Question 13: Do you agree that task forces used to undertake detailed development work should adhere to the public interest framework?

Summary of Feedback: There was general agreement that task forces should continue to be used to support the development of standard setting, as part of a wider programme of stakeholder involvement. Respondents generally agreed that standard setting activity should be carried out in accordance with the public interest framework.

Many respondents from all types of stakeholder groups stated that the public interest is fundamental to standard setting and should apply to all of the work carried out by standard setting boards in a reformed model, be it at the level of a board or its task forces and working groups. A number commented that they felt that the current process lacks transparency, and as a result, it offers opportunities for certain stakeholder groups to exert undue influence.

Question 14: Do you agree with the changes proposed to the nomination process?

Summary of Feedback: There was broad support from respondents of all stakeholder groups that there should be an independent nomination process for appointments to a standard setting board or boards. Some IFAC member bodies referred to the Interim Nominating Committee for the appointment of the next IAASB Chair (with an independent chair and equal numbers of nominees from IFAC and the PIOB), as being a good model to follow (this included the response received from IFAC itself. Although IFAC did not agree that the PIOB should have a role in both nominations and oversight), considering it to be poor governance to have such a dual role.

Regulators and investors proposed either a nominating committee comprised entirely of independent members, or one in which IFAC would nominate a minority of the (ordinary) committee members to ensure its independence. Audit firms responding to the consultation were supportive of the PIOB acting as the Nominating Committee subject to it being a multi stakeholder board itself and demonstrating that it was able to represent all stakeholder groups. Respondents recognised that altering the PIOB's role in this respect would require additional resources to support any expanded remit.

Question 15: Do you agree with the role and responsibilities of the PIOB as set out in this consultation? Should the PIOB be able to veto the adoption of a standard, or challenge the technical judgements made by the board in developing or revising standards? Are there further responsibilities that should be assigned to the PIOB to ensure that standards are set in the public interest?

Summary of Feedback: There was widespread support for the Monitoring Group's options in the consultation to strengthen the role and responsibilities of the PIOB. However, respondents told us that the oversight role of the PIOB should focus on whether a standard has been developed and approved in the public interest, rather than the PIOB challenging the technical judgments reached by the board or boards. Respondents did not support the PIOB having a veto over a standard because of a disagreement over the technical judgments made by a board. Where the PIOB has concerns over a standard, it should be able to require further due

process to allow the board or boards to address deficiencies. A small number of respondents were more supportive of the PIOB having a power of veto, where it is in the public interest.

Many regulators who responded to the consultation believe that the options it contained will strengthen the role of the PIOB, and they emphasised the importance of having clear and open communication between those tasked with setting standards and the PIOB, with both parties' subject to clear public transparency and accountability. There were also a significant number of comment letters which referred to a desire for closer alignment between the PIOB and the IFRS Trustees, with the PIOB transitioning, over time, into a body more akin to the IFRS Trustees with a similar remit and functions.

Question 16: Do you agree with the option to remove IFAC representation from the PIOB?

Summary of Feedback: IFAC member bodies were strongly of the view that IFAC should continue to have representation on the PIOB. This view was not shared by other groups of respondents, and investors and many regulatory bodies did not believe that the profession should be represented on the PIOB.

Many audit firms who responded to the consultation were split on whether the multi-stakeholder model should apply to the PIOB as well as to the standard setting board or boards and raised the importance of the PIOB representation including those with recent and relevant experience of ethical and audit issues, which they considered necessary to support the PIOB's discussions, and consideration of the public interest.

Question 17: Do you have suggestions regarding the composition of the PIOB to ensure that it is representative of non-practitioner stakeholders, and what skills and attributes should members of the PIOB be required to have?

Summary of Feedback: Many respondents from all stakeholder groups advocated the application of the multi-stakeholder model in determining the composition of the PIOB, as well as to the standard setting board or boards, and that the PIOB should include at least one member with current audit and ethical technical experience to ensure that all stakeholder groups are represented, and that the PIOB has access to relevant experience to support its deliberations. This point was strongly supported by audit firms and by IFAC member bodies. There was little support for the option that the PIOB make use of IFIAR as a source of audit related advice and insight, although there was support for audit regulators to be represented on the PIOB.

Investor and regulator respondents, whilst being broadly supportive of the multi-stakeholder model as a concept, emphasised the need for practitioners to be subject to an appropriate cooling off period before they took up an oversight post on the PIOB. They also emphasised the need for members of the PIOB to be sufficiently independent and challenging to command the confidence of the regulatory community.

A number of respondents commented that the relatively small size of the PIOB made it desirable for the PIOB to also have access to a consultative or advisory forum to support its work, and that the PIOB should also be required to carry out periodic assessments of its effectiveness, which should be a matter of public record. Respondents also commented that members of the PIOB should have skills sufficient to allow them to act in a way that contributes to the development of standards which ultimately supports the delivery of high quality audit in the public interest.

Question 18: Do you believe that PIOB members should continue to be appointed through individual Monitoring Group members or should PIOB members be identified through an open

call for nominations from within Monitoring Group member organizations, or do you have other suggestions regarding the nomination/appointment process?

Summary of Feedback: This question received a range of responses – some respondents, mainly investors and regulators, supported maintaining the status quo, whereby members of the PIOB are nominated from Monitoring Group member organisations. This was considered important to maintain the confidence of the regulatory authorities which comprise the PIOB.

However, a larger number of respondents including some regulators, IFAC member bodies and audit firms supported the view that membership of the PIOB should be subject to an open call for nominations, with the Monitoring Group acting as the PIOB Nominating Committee. Many audit firms also stated that in managing an open call for candidates, the Monitoring Group should ensure the application of the multi-stakeholder model to the PIOB membership. Regulators were supportive of this option, but that tended to be contingent on having a multi stakeholder model in which practitioner representation on the PIOB should be subject to an appropriate cooling off period, with examples given by respondents of either a three or five-year requirement.

As mentioned earlier in this Feedback Summary, a number of respondents again reiterated their view that the PIOB should, over time, develop into a body that emulates the role and remit of the IFRS Foundation.

Question 19: Should PIOB oversight focus only on the independent standard-setting board for auditing and assurance standards and ethical standards for auditors, or should it continue to oversee the work of other standard-setting boards (e.g. issuing educational standards and ethical standards for professional accountants in business) where they set standards in the public interest?

Summary of Feedback: Most respondents to the consultation argued that there should continue to be PIOB oversight where standards are set in the public interest (for instance, should IFAC continue to have an ongoing role in setting ethical standards for professional accountants in business). However, in developing their responses, some IFAC member bodies proposed that the IAESB should be reformed as a technical committee of IFAC focusing on applications guidance, wider education and best practice rather than as a standard setting board and, as a result, should not be subject to continued PIOB oversight.

Investors also agreed that the core focus of the oversight function should be on the development of auditing and assurance and ethical standards, and that this remit would better support the deployment of the PIOB's resources on those areas of greatest public interest rather than, as now, one that covers everything regardless of its public interest impact.

Question 20: Do you agree that the Monitoring Group should retain its current oversight role for the whole standard-setting and oversight process including monitoring the implementation and effectiveness of reforms, appointing PIOB members and monitoring its work, promoting high-quality standards and supporting public accountability?

Summary of Feedback: A number of respondents, mainly IFAC member bodies, questioned the need for the retention of both the PIOB and the Monitoring Group. Regulators, audit firms and investors were supportive of the Monitoring Group retaining its current role but encouraged it to increase its focus on ensuring that audit-related standard setting is accountable to public authorities in the same way the Monitoring Board ensures public accountability for the IASB and IFRS Trustees. A number of respondents also stressed that the Monitoring Group should also have a greater focus on publicly demonstrating how it holds the PIOB to account for the delivery of its strategy.

A number of stakeholders suggested that the Monitoring Group should seek greater alignment between the audit and accounting standard setting mechanisms to see if synergies could deliver benefits in terms of economies of scale, for instance in the recruitment, development and deployment of technical staff.

Question 21: Do you agree with the option to support the work of the standard-setting board with an expanded professional technical staff? Are there specific skills that a new standard-setting board should look to acquire?

Summary of Feedback: There was widespread support for standard setting work to be supported by an expanded technical staff. There were, however, a range of views about how staff levels could be expanded, the implications for the cost of standard setting, and whether secondments could be used as a way of bringing in additional staff to support intense periods of activity and also to ensure that staff remain up to date with a regularly changing landscape. Investors and some regulators, however, raised concerns about the impact this might have on independence and did not support the use of secondments from the profession.

Some respondents noted that experienced technical staff are highly valued and in comparatively short supply, and even if the Monitoring Group agreed to an expansion and was able to provide funding to support this, it did not mean that extra people with the right skills could be recruited to carry out these roles.

A clear message from the majority of respondents was that the Monitoring Group should avoid a trade-off between timeliness and quality in standard setting. As a result, an expanded staffing model would not only need the technical skills to undertake detailed drafting but would also need to have the skills to carry out stakeholder engagement and communication, develop strategy for the consideration of the standard setting board or boards, and also effectively manage the available resources to deliver agreed objectives.

Question 22: Do you agree the permanent staff should be directly employed by the board?

Summary of Feedback: There was broad support having permanent staff directly employed by the board/ boards from all stakeholder groups – particularly from investors and other users, although a number of IFAC member bodies were of the view that the status quo should be maintained, and that technical staff should continue to be employed by IFAC.

Many respondents to the consultation supported the option for standard setting to be supported by an enhanced technical staff, but also drawing upon secondees to ensure that the technical work is supported by a flexible staff with up to date skills subject to them being covered by appropriate independence requirements.

Question 23: Are there other areas in which the board could make process improvements – if so what are they?

Summary of Feedback: Many of the suggestions made in response to this question focused on the need for a reformed structure to make much greater use of technology to support standard setting work, and that a reformed board or board should seek to copy the IASB model and have an annual series of process or urgent updates to standards as a way of responding more effectively to the needs of the market. This was also seen as being a way of addressing the cost implications of a remunerated board, through greater use of virtual working.

Question 24: Do you agree with the Monitoring Group that appropriate checks and balances can be put in place to mitigate any risk to the independence of the board as a result of it being funded in part by audit firms or the accountancy profession (e.g. independent approval of the

budget by the PIOB, providing the funds to a separate foundation or the PIOB which would distribute the funds)?

Summary of Feedback: Investors and regulators provided the strongest feedback on the importance of the standard setting mechanism not being as reliant on the profession for funding as is now the case. They made suggestions to diversify funding by collecting money from the regulatory community currently represented on the Monitoring Group, and some respondents suggested that stock exchanges could fund standard setting as they represent investors who are among the main beneficiaries of high quality standard setting. Without a diversified funding base, respondents questioned whether the Monitoring Group would be able to address the perceived lack of independence as a result of reliance on audit firms and the profession more widely for funding.

A number of IFAC member bodies maintained that as IFAC funding was not just drawn from auditors, it could continue to fund standard setting, and pointed to the lack of progress made to diversify the comparatively limited funding requirements of the PIOB away from reliance on IFAC.

There was recognition that using the PIOB to collect funding and to approve a budget for standard setting could act as a suitable check to prevent there being an accusation that there is a link between membership on a board and the ability to influence standard setting (in the same way that the IFRS Foundation collects funding to meet the costs of the IASB), and the amount that a particular party contributes to support that activity. For the most part, many respondents stated that they expected the Monitoring Group to set out in greater detail its funding proposals over the medium term before stakeholders could give a view on them. This will be the subject of further consultation through outreach.

Question 25: Do you support the application of a “contractual” levy on the profession to fund the board and the PIOB? Over what period should that levy be set? Should the Monitoring Group consider any additional funding mechanisms, beyond those opted for in the paper, and if so what are they?

Summary of Feedback: Many respondents from all stakeholder groups questioned whether the option to move from discretionary funding from the profession, to a model which relies on non-discretionary funding through a ‘contractual levy’ would effectively address the perception that standard setting is reliant on the profession for funding. Investors were the most supportive of a mechanism that sought to put funding from audit firms on a non-discretionary basis. There was much more support from regulators, audit firms and national standard setters for the Monitoring Group to articulate a funding mechanism that relies instead on diversified sources.

A number of investor and audit firm respondents stated that the cost of standard setting should be borne by those who benefit from high quality standards, and that it undermined standard setting to continue to rely to such an extent on audit firms and the wider profession. They suggested that in the case of investors, funds could be collected through a levy on stock exchanges, as a proxy for trying to directly collect funds from investor groups. By contrast a number of IFAC member bodies continued to support the profession funding the development of standards through IFAC as is currently the case.

Question 26: In your view, are there any matters that the Monitoring Group should consider in implementation of the reforms? Please describe.

Summary of Feedback: Many of the consultation respondents used this question to set out their view that the Monitoring Group should not proceed with reforms on a ‘stage by stage’,

basis and that stakeholders should be presented with proposals for holistic reform of all levels of the governance model, along with a transition plan setting out how such reforms would be delivered in practice, and how the Monitoring Group proposes to manage the risks associated with any transition.

Several respondents also stressed the importance of building in sufficient time for further stakeholder engagement and outreach before the Monitoring Group develops final proposals, in part to address concerns that a number of the Monitoring Group's options were derived from a regulatory perspective, and legislative requirements set by the European Union, and ensure that reforms are genuinely supportive of global standard setting.

Responses from investors and regulators identified the need for standards to be able to support enforcement activity, and that the Monitoring Group should ensure this is clearly reflected in any further consultation or policy statement.

Question 27: Do you have any further comments or suggestions to make that the Monitoring Group should consider?

Summary of Feedback: Stakeholders provided a range of additional comments, though many responded stating the importance of seeing in detail a holistic set of proposals from the Monitoring Group, for the reform of all layers of the governance model, how a reformed model would be funded, and what the transitional arrangements would be to avoid any disruption to business as usual, as a number of large and important projects are currently underway. International Association of Supreme Audit Institutions (INTOSAI) member bodies raised the importance to their stakeholders, that standard setting takes account of the need of public sector users of global standards. Investors also raised comments on: bringing together the governance structure for accounting and auditing, and the need for audit standard setting to respond better to technology driven change.

The Monitoring Group proposes to set these out in detail in a further, and final, consultation paper which will be informed by the responses to this consultation.