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SPAIN

OUR REFERENCE  
18/1525

YOUR REFERENCE

CONFIDENTIAL

DATE  
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## **Re: Monitoring Group Consultation - Strengthening the Governance and Oversight of the International Audit-Related Standard Setting Boards in the Public Interest**

### **The Financial Supervisory Authority of Norway (FSA) is broadly supportive of the reforms**

The FSA appreciates the Monitoring Group's efforts to address concerns and supports efforts to position the international audit and ethical standard setting model for success moving forward.

Independence of the standard setting process is in our opinion key to give confidence in the quality of the standards. There may be a tendency for the auditing standards setting process to codify existing practice, which may gravitate to the lowest common denominator. The same applies for the independence requirements. There is also a need to address the financing of the standard-setting boards, which should be independent from the profession, at least independent from their good will.

The pace of change in the business environment and audit is accelerating, driven largely by technological advances, and the FSA is concerned about the independence of the standard setting process and its responsiveness to the public interest. The FSA believes it is critical to ensure that standards are both relevant, and developed, in a timely and independent manner in order to underpin audit quality and user confidence.

### **FSA supports the solution of one single independent board for both auditing and ethical standards**

The FSA supports establishing a single independent board to develop and adopt auditing, assurance and ethical standards for auditors. Amongst the advantages, the FSA will emphasize that a single board will promote better co-ordination of auditing and ethical standards for auditors, and simplify and integrate the developing and adoption processes. A single board will reflect that ethical

standards affect auditing standards and vice versa, and contribute to increased consistency in the content of auditing and ethical standards.

However, it is the FSA's opinion that creating a single independent board will imply a need for more diversified expertise in the board, and expertise in ethics and in auditing are both necessary at board level.

### **FSA supports that IFAC should retain the responsibility for development and adoption of ethical standards for professional accountants**

The public interest considerations for development and adoption of ethical standards for professional accountants working in business are different from those of auditors in both nature and scale. The public confidence in the audit function is of fundamental importance for the capital markets and for society on a different level than professional accounting. The auditor role is regulated by law, contrary to the role of accountants. Thus, it is the FSA's opinion that IFAC should retain responsibility for the development and adoption of ethical standards for professional accountants. This also seems to be more efficient as IFAC already has the necessary framework and competence.

The FSA nevertheless points out that appropriate communication should accompany the change in the organization to explain the different remits of the various boards and their respective activities. This to avoid overlaps, inefficiencies and possible confusion.

### **FSA agrees that the responsibility for the development and adoption of educational standards and the IFAC compliance program should remain at IFAC**

It is the FSA's view that the educational standards for current and future auditors is an essential role for the national and international professional bodies. The FSA believes that IFAC plays an important role in supporting the implementation of the auditing and ethical standards internationally. Accordingly, the FSA agrees that responsibility for the development and adoption of educational standards and the IFAC compliance program should remain with IFAC. We see no reason to deviate from an established international best practice in this area.

### **FSA supports adoption of standards based on qualified majorities**

As it is not always possible to achieve a unanimous vote, the FSA agrees that the board should adopt standards on the basis of a majority. It should be an aim to build a broad consensus to help that the standards adopted will command wide stakeholder confidence. With a board comprised of three groups of stakeholders with potentially divergent objectives, a simple majority vote could lead to one stakeholder group being overruled. Thus, the FSA believes that the definition of the majority should be a qualified majority, not a simple majority.

**FSA supports a contractual levy as part of a diverse funding base, and agrees that appropriate checks and balances can be put in place to mitigate any risk to the independence of the board**

The FSA believes that developing an effective, sustainable and independent funding model is pivotal to the reform and the possible changes in this area going forward.

Yours Sincerely

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*This document is electronically approved, and does not need a signature.*