



Panel III Discussion — Global Convergence: How to achieve global convergence of financial reporting and auditing when standards, regulation, and oversight are national?

Moderator Humphrys said it was the issue of global convergence of accounting standards that garnered the greatest consensus in the 10 roundtables held over the past year with stakeholders. He challenged the panel to discuss how this consensus can be moved forward in a world with so many different sets of standards and other national variables.

Most panelists were optimistic, beginning with comments from Frans Samyn, Chief Executive Officer, BDO International, who said his experience in the European Union had convinced him that “amazing” things can be achieved in the presence of many different points of view. Nevertheless, “implementation of global standards can only fully happen with participation by all,” he said. “It won’t be easy, but it will happen.”

Speaking from the regulatory viewpoint, Paul Boyle, Chief Executive, Financial Reporting Council (UK) Chair, International Forum of Independent Audit Regulators, cited the formation of IFIR as a sign of distinct progress. Regulators, he said, are very conscious of the steps being taken by the international professional accounting and auditing networks and sponsors of the GPPS. “They have been working for decades to bring a more cohesive approach to the management of their firms, and we’re all talking and learning a lot from each other.”

“There are certainly difficulties and obstacles,” added Alain Pons, Global Managing Partner, Audit, Deloitte, “such as a need for a common set of internationally recognized standards around ethics and independence, but there’s no reason to expect we won’t get there.”

Humphrys then inquired of the group whether global standards will enhance audit quality. Stavros Thomadakis, Chairman, Public Interest Oversight Board, said he was optimistic that convergence of standards in accounting will break the ice for convergence in other areas, including auditing and independence, but he also noted that audit standards are more technical in nature. “They are in the process of being produced in a high quality, high usability and high clarity format. This will pave the way for them to be accepted worldwide, and I believe they will result in improved quality, too.”

Boyle agreed but cautioned against taking any shortcuts to speed up adoption and implementation, such as compromising on the lowest common denominator to gain acceptance. Regulators, he said, face difficult challenges particularly in light of less prescribed direction under a principles-based system. “In our regulatory work, we are often faced with the question, ‘where does it say in the standard that I have to do this or do that?’ When another stakeholder in the system calls that ‘second guessing’ then he or she is driving us away from the es-



sence of the principles-based standards.” Judgment, maintained, is a matter of doing what is the right thing to do when faced with a range of views and missing facts. Regulators will want to look at how those judgments are exercised, so preparers must ensure that their judgments are disciplined and appropriately documented.

Boyle was quite vocal in his concern about use of the term, “second guessing.” He suggested that by definition it implied the “auditors didn’t guess right in the first place.” Everyone needs independence in the system, he pointed out, so the process that takes place should be seen for what it is—a review of a judgment made, not second guessing. He assured the participants that “regulators who act in a capricious way” are appropriately sanctioned.

Pons said the shift required is cultural in nature. “We are on a journey to principles- based accounting. There is no bright line in many cases.”

Boyle agreed that a regulated practice always involves learning from the market and from events. Audit regulations evolving over past few years have not negated professional judgment, rather they have shown respect for the scope of that judgment. Standards are very important parts of prescribing the framework within which the judgment is exercised.

About the author: Pam Middleton is a freelance communications consultant and writer covering the Global Public Policy Symposium IV.