



EXTERNAL REPORTING BOARD

Te Kāwai Ārahi Pūrongo Mōwaho

28 June 2012

The Chairman
Monitoring Group
c/o International Organisation of Securities Commissions
Calle Oquendo 12
28006 Madrid
Spain

Email: Piob-MonitoringGroup@piob.org

Attention: Mr Fernando Restoy

Dear Fernando

SUBMISSION ON (i) PUBLIC CONSULTATION ON THE GOVERNANCE (WITH SPECIAL FOCUS ON ORGANISATIONAL ASPECTS, FUNDING, COMPOSITION AND THE ROLES) OF THE MONITORING GROUP, THE PIOB AND THE STANDARD SETTING BOARDS AND COMPLIANCE ADVISORY PANEL OPERATING UNDER THE AUSPICES OF IFAC AND (ii) THE PIOB WORK PROGRAM 2012 AND BEYOND

Introduction

1. The External Reporting Board (XRB) of New Zealand, together with its two sub-boards, the New Zealand Accounting Standards Board (NZASB) and the New Zealand Auditing and Assurance Standards Board (NZAuASB), are pleased to make this submission on the above two consultation papers.
2. The XRB is an independent Crown Entity responsible for financial reporting strategy and the development and issuance of both accounting and auditing and assurance standards in New Zealand.
3. The XRB is currently in the process of establishing a new Accounting Standards Framework based on a multi-sector, multi-standards approach. For-profit entities in New Zealand have, since 2005-2007, been using standards that are effectively International Financial Reporting Standards. The NZASB is in the process of developing standards to require public benefit entities¹ to report using standards based on International Public Sector Accounting Standards (IPSASs) that are issued by the International Public Sector Accounting Standards Board (IPSASB).
4. New Zealand's auditing and assurance standards are based on, and are substantially identical to, the standards issued by the International Auditing and Assurance Standards Board (IAASB). The NZAuASB is in the process of aligning the ethical standards for assurance providers in New Zealand with those issued by the International Ethics Standards Board for Accountants (IESBA).

¹ These comprise public sector entities and not-for-profit entities.

5. To this end, the XRB Board, NZASB and the NZAuASB welcome the release of the consultation documents and the opportunity to comment, particularly on the governance, funding and oversight arrangements of the standard-setting bodies that operate within the aegis of the International Federation of Accountants (IFAC).

Comments on the proposals

6. Our comments on the specific questions from the two consultation documents are set out in Appendices 1 and 2 respectively. We set out below our general comments to the consultation documents.

General Comments

IPSASB

7. While we are interested in the overall governance, funding and oversight arrangements of all the standard-setting bodies within the IFAC structure, our immediate interest is with the arrangements for the IPSASB. It is our long-held view that independent oversight of the IPSASB is necessary to protect it from undue influence, or the appearance of undue influence, from specific stakeholders or funders. Formal oversight of IPSASB is also important and necessary for the IPSASB to be viewed as a credible standard-setter of high quality, conceptually coherent accounting standards. We strongly support IPSASB coming under the oversight of the Public Interest Oversight Board (PIOB). We consider this to be the most cost-efficient approach at this point in time and we recommend that it be implemented as a matter of urgency. Formal external oversight of the IPSASB may also encourage more widespread adoption of IPSASs.
8. Bringing the IPSASB under the oversight of the PIOB effectively means that it also falls under the purview of the Monitoring Group (MG). In this regard, it is important that there are requirements in place to ensure that the composition of both the MG and the PIOB include members with an interest in the public sector.
9. In addition to oversight, we note that the Consultative Advisory Group (CAG) for IPSASB is currently in abeyance pending changes to its governance. It is important that the IPSASB has a well-functioning CAG that is well represented geographically and by knowledgeable public sector members to support its activities.

Funding

10. We note that funding for the PIOB and the standard-setting boards are effectively from IFAC. While individual boards have their own due processes that are transparent and are intended to safeguard their independence, funding of such standard-setting boards, particularly the IPSASB, IAASB and the IESBA, by a body that represents the profession may be perceived to undermine the independence of those bodies.
11. In our view, the funding of the PIOB and the standard-setting boards should be independent of the profession, specific stakeholders or funders to ensure the credibility of the work of those bodies. In this regard, we strongly encourage the MG and PIOB to continue their efforts to seek alternative means of funding that is not project or board specific.

Public interest and communication

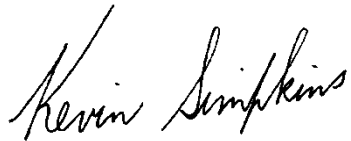
12. In responding to the consultation documents, we have used IFAC's Policy Position 3 *International Standard Setting in the Public Interest* for an overview of IFAC's concept of public interest, the principles underlying the concept and the relationship between the current arrangements/structure and IFAC's concept of public interest. The MG may wish to consider, in analysing the responses to its consultation document whether it shares the same view of

public interest as IFAC. In particular, it may wish to consider whether the criteria and measures the MG and the Public Interest Activity Committees (PIACs) are required to meet when stating whether public interest has been enhanced or “protected” should be more clearly articulated.

The longer-term

13. In the longer-term, we would favour a fully independent standard-setting model completely outside the IFAC structure, not because we are concerned with any fundamental bias in the manner in which the standard-setting boards operate but because it may help remove any perception that they lack independence operating under IFAC. Ideally, we think that the structure could come under a broadened IFRS Foundation but failing that, a similar operating and funding structure as the IFRS Foundation.
14. In our responses to the specific questions, we have suggested some short to medium term enhancements to the current structure. However, we consider that the structure, roles and processes should be better communicated to stakeholders. In this regard, we support the drawing up of a “compilation document” (which we hope will have a title which makes clear what the document covers). This may better communicate the manner in which the PIACs’ work will contribute to the public interest.

Yours sincerely

A handwritten signature in black ink, reading "Kevin Simpkins". The signature is written in a cursive, flowing style.

Kevin Simpkins
Chairman
External Reporting Board

Appendix 1: External Reporting Board's response to *Public consultation on the governance (with special focus on organisational aspects, funding, composition and the roles) of the Monitoring Group, the PIOB and the standard setting boards and Compliance Advisory Panel operating under the auspices of IFAC*

Q1: Do you consider it necessary to enhance representation of the public interest? If so, which additional actions, apart from the appointment of an independent IESBA Chair and redefining the nature of non-practitioner board members, would you suggest to reinforce the mechanisms to safeguard the public interest?

We consider it necessary for the MG to enhance the representation of the public interest. We strongly support the enhanced representation of public interest through the appointment of an independent IESBA chair and the redefinition of the nature of non-practitioner board members. In addition, we also support the appointment of more public members on the PIACs as well as the use of formal mechanisms like the CAGs to further broaden the representation of the public interest.

Ideally, all chairs (and members) of the PIACs should be full time and independent. However, we appreciate that this is unlikely to be able to be implemented in the short to medium term. We also acknowledge the risk that full-time, independent members may, over time, be less familiar with current practice and issues.

Q2: In the long term, would you favour a different and fully independent standard-setting model completely outside the IFAC structure and if so how could such a structure be funded?

In the long-term, we would favour a fully independent standard-setting model completely outside the IFAC structure, not because we are concerned with any fundamental bias in the manner in which the standard-setting boards operate but because it may help remove any perception that they lack independence operating under IFAC. However, it may be that some activities, such as the setting of educational standards that are of direct benefit to the profession, could remain with IFAC while other activities, such as the setting of assurance standards that benefit the community at large, should be independent of IFAC.

If the standard-setting boards are to operate under an independent structure, ideally, we think that they could come under a broadened IFRS Foundation but failing that, a similar operating and funding structure as the IFRS Foundation. Whatever oversight mechanism is used, it should reflect the diversity of activities undertaken by accountants. At present, the IFRS Foundation has a focus on the private sector whereas the assurance, education and ethics standards are relevant to practitioners operating in all sectors.

With respect to funding, IFAC may continue to be a major funder because the benefits flow to IFAC through improved performance by members of its member bodies. However, such funding should be made to a "general pool" to the MG for allocation to the PIOB and the PIACs.

Funding could further be sought from entities such as the World Bank and International Monetary Fund (IMF) as their activities in many jurisdictions would be materially assisted by support for the structure and education of professional accountants.

Q3: Do you consider the current three-tier system adequate for achieving its objectives, or an alternative model could be more adequate? In the latter case, which model would you suggest?

We have no firm view on whether a two or three tier structure is more adequate provided the structure is clear and the objective, purpose, function and role of each tier is clearly specified. However, under no circumstances should the structure exceed three tiers.

Q4: Would you support the IPSASB being subject to PIOB oversight? Why? What conditions, if any, would you impose on such oversight? Would you see as a factor to take into account the fact that IPSASB deals with accounting rules instead of auditing ones?

We strongly support the IPSASB being subject to PIOB oversight. Our reasons are set out in our general comments above. We do not consider that the nature of oversight requires a detailed understanding of the technical activities of a standard-setting board – see our comments on the functions of an oversight body in Appendix 2.

We do not think it necessary for any additional conditions to be imposed on such oversight given that the oversight function will be similar to the PIOB's oversight over the current PIACs. However, the PIOB should include at least two members with the necessary skills or experience with the public sector and an understanding, at a high level, of public sector specific accounting, assurance, ethical and educational issues. Similarly, the MG should include more international membership organisations with an interest beyond the private sector.

Q5: Do you see merit in having a "Compilation document" for the whole structure? In this case, which alternative would you prefer for organising the structure and nature of the Compilation document?

We see merit in having a "Compilation document" for the whole structure which sets out clearly the objective, purpose, function and role of each body within the structure.

We have no firm views on the manner in which the structure is organised or the nature of the Compilation document, provided the names of the entities are not overly "clunky". It may be sufficient to merely refer to "public interest" in the overarching structure with each entity having within its name "international..." For example, "Public Interest Standard-setting Structure Explained", "Public Interest Monitoring Group", "Public Interest Oversight Board", "International Auditing and Assurance Standards Board", "International Public Sector Accounting Standards Board"...

Q6: Given the breadth of the current mandate, would you consider it helpful to modify the name of the structure to improve its visibility? In this case, what name would you suggest?

It will be helpful to provide a name to the structure to improve its visibility. A possible name could be "International Public Interest Arrangement".

Q7: Do you agree with the proposal that the MG should have a more strategic role?

Q8: Do you agree with the objectives proposed and, specifically, with the MG having the possibility of conferring with the PIOB on the PIACs' agendas and receiving appropriate feedback?

We do not agree with the proposal that the MG should have a more strategic role. To maintain the independence of its monitoring role, the MG should not pursue a closer and more strategic involvement with the PIOB. We note that the MG already has, as part of its mission:

- (i) the ability to consult and advise the PIOB with respect to regulatory, legal and policy developments that are pertinent to the PIOB's public oversight function; and
- (ii) the ability to convene meetings to discuss issues and share views relating to international audit quality as well as to regulatory and market developments having an impact on auditing.

We consider that this is sufficient as a means of communicating with the PIOB. Where considered necessary, the MG should schedule periodic meetings with the PIOB rather than having the meetings happening coincidentally on “special occasions”.

We also do not consider that the MG should have a closer involvement with the PIACs. A closer involvement might blur the different roles of the MG and the PIOB in relation to the PIACs. From a public interest perspective, the independent monitoring role of the MG is valuable and adds credibility to the whole standard-setting process. The closer involvement with the PIOB and PIACs may be seen to compromise this independence.

While we agree that the MG may refer through PIOB a public interest issue for the PIACs to consider, this should only be under exceptional circumstances and only in relation to urgent issues. The MG should not be involved in the agenda setting of the PIACs under any other circumstances.

We do not agree that individual MG members should engage with PIACs on technical matters. The structure and membership appointment process of the PIACs and the PIOB’s role, together with technical advice from the respective CAGs, should ensure that PIAC members are technically competent to serve on the boards and that all relevant projects are included in the PIACs’ agendas. The MG’s involvement whether as a group or by individual members may undermine the independence of the boards, make the standard-setting process less transparent and blur the different roles of the boards.

As we do not agree with the closer involvement of the MG with the agenda setting of the PIACs, we do not consider that the MG should have the right of receiving specific feedback on whether a topic was added to the agenda or otherwise. The normal due processes and public accountability of the PIACs should serve as the appropriate feedback to the MG to ensure the continued independence of the PIACs and transparency of the process.

Q9: Do you agree with the suggested ways of improving the communication activities? Would you consider it useful for the MG to have in the special occasions above described direct involvement with PIACs?

In general, we agree with the MG’s suggested ways of improving the communication activities. Better communication and transparency may result in better standard-setting.

However, it may be useful for the MG to schedule meetings with the chairs of the PIACs and the CAGs as a group on a periodic basis where these are considered necessary in carrying out its monitoring role, rather than having these take place coincidentally on “special occasions”. We do not agree with the MG being involved in any other more direct ways with the PIACs or CAGs.

Moreover, we are unclear as to the purpose or need for the MG organising conferences or other public events. As long as the MG’s monitoring role is clearly specified, we question the need for such activities.

Q10: Do you have any specific suggestions on how liaison with investors could be improved? In this sense, do you see merit in some portions of the MG meetings having the public in attendance?

We have no other additional specific suggestions on how liaison with investors could be improved.

We agree that, in the interests of transparency, some portions of the MG meetings should be open to the public.

Q11: Would you find it useful that the MG engages with organisations representing governmental institutions? Would the G20 be the most appropriate or, should others bodies be considered instead?

We agree that it would be useful if the MG engages with organisations representing governmental institutions and agree that the G20 and the International Organisation of Supreme Audit Institutions (INTOSAI) could be appropriate bodies in this regard, particularly if the IPSASB comes under the oversight of the PIOB. Such engagement could also be important to further encourage jurisdictions to adopt the standards issued by the PIACs, including IPSASs.

Q12: What is your opinion about the current composition of the MG? (i) Do you believe that other organisations (i.e., national or regional regulators) should or could be represented in the MG? If so, which criteria do you think new members should fulfil to become MG members? (ii) Should a maximum be set to the number of MG members? (iii) Would you favour a change on how the Chairperson is appointed?

- (i) We agree with the current composition of the MG comprising representation from international organisations but recommend that it be expanded to include more members with an interest beyond the private sector such as the IMF. We do not consider it necessary to include national or regional regulators unless they are not represented on the international bodies. However, consideration could be given to the establishment of one or two rotating membership positions (or observer positions) to allow greater representation and greater perspectives to be brought to the MG. This may also provide other institutions with the opportunity to develop the necessary skills to be potential future members of the MG. In that case, members could include organisations from emerging economies and/or regional standard-setting bodies.

We consider that the membership of the MG will need to be reviewed if the IPSASB is included under the oversight of the PIOB to ensure that it includes members with an interest in the public sector.

- (ii) We agree that the MG should set a maximum number of MG members to prevent the MG from becoming too unwieldy. In conjunction with this, we consider that the criteria for membership of the MG should be clear so that appointments and the appointment process are transparent.
- (iii) We do not consider that the appointment of the MG chairperson should remain with the International Organisation of Securities Commissions (IOSCO). The issues addressed by the boards that are subject to the oversight of the MG and the PIOB are multi-sectoral and cover the private for-profit sector, the not-for-profit sector and the public sector. While much sovereign debt is traded in the capital markets, IOSCO is more likely to be concerned with securities in the private sector. As such, it may be more appropriate for the chairperson of the MG to be appointed by the MG as a group, rather than by IOSCO alone.

Q13: Do you see a problem in MG members appointing full time employees of organisations represented in the MG as PIOB members?

Q14: Would you consider convenient to avoid direct hierarchical relationship between the PIOB and the MG members?

We note that under the current rules, the PIOB is required to be a mix of senior staff of the nominating members of the MG and others appointed by these members and representing the public interest. We note that this may raise issues associated with the over representation of a particular organisation in the overall oversight structure. The possible direct hierarchical

relationship may also create conflicts of interests and may be perceived to undermine the independence of the PIOB.

In principle, membership of the PIOB should be based on the best person for the job. As such, PIOB membership should not be necessarily confined to MG membership organisations or preclude suitably qualified staff from MG membership organisations. For example, suitably qualified academics, retired practitioners, ethics experts, or preparers of financial statements could well have the necessary skills to be members of the PIOB.

Q15: Do you think that the roles and responsibilities of MG and PIOB should be further clarified? Do you have specific suggestions regarding which areas this clarification should address?

It is important that the roles and responsibilities of MG and PIOB are clearly specified and communicated to stakeholders. In this regard, the proposed Compilation document will be helpful.

Q16: Do you see merit in the PIOB undertaking a regular review of its due process and oversight framework through its strategy document?

Q17: Do you see merit in the PIOB periodically producing a strategy document that would supplement the yearly business plan and budget? What should the involvement of the MG be in the production of these documents?

We agree that it is useful for the PIOB to undertake a regular review of its due process and oversight framework through its strategy document. This is important to ensure that its processes remain relevant under changing economic and market conditions. Such a document could also serve as a useful accountability tool, add rigour to the PIOB's due process and increase the public's confidence in the process.

We agree that it is useful for the PIOB to produce a strategy document periodically that would supplement its yearly business plan and budget. However, the MG should not be involved in the production of the documents other than to broadly ensure that the PIOB's strategic direction is consistent with the broad strategies of the MG.

Q18: Do you think that the current composition of the PIOB could be enhanced? Would you consider convenient that the PIOB's composition is reviewed each time a new body becomes full member of the MG?

As we have commented earlier, the membership of PIOB should be reviewed if IPSASB comes under its oversight (Q4) and that PIOB membership should not be linked to the membership of the MG (Q13 and Q14).

We think it sensible to review the composition of the PIOB each time a new body becomes a full member of the MG. However, if appointments to the PIOB are not linked to membership of the MG there should be no presumption that any change to the PIOB membership should be necessary.

Q19: Would you consider the current composition of the PIACs appropriate? Do you see merit, in the context of a second effectiveness review, in exploring the idea of having a majority of non-practitioners and a majority of public members?

We note the current composition of the PIACs composing of nine non-practitioners and nine practitioners. To be seen to be independent, we consider that the PIACs should not have a majority of practitioners. We agree that there should be a majority of non-practitioners and a majority of public members. However, it is important to ensure that the non-practitioner and public members also have the necessary technical expertise. While bigger PIACs may allow

wider outreach by their members and greater access to technical expertise, the MG might also wish to consider whether a suitable limit should be placed on the size of the PIACs to ensure that they do not become too unwieldy.

In addition, we consider that the nomination process for membership of the PIACs should be a more open, public process: nominations should not be mainly from organisations within the IFAC structure and membership should not be confined mainly to representatives from IFAC and the Forum of Firms. An open nomination process, coupled with a robust, transparent membership selection process overseen by the PIOB should ensure that the best qualified people are selected for the job and add credibility to the PIACs.

Q20: Do you consider best practice a nine years period for rotation of the representatives of CAG member organisations?

We have no strong views on this but consider a nine years period for rotation of the representatives of CAG member organisations to be good practice. In addition, we consider that it is important that there is a regular review of the membership of the member organisations.

Q21: Would you agree that it is not realistic at the current time to attempt to alter the funding structure of standard setting activities in any substantial fashion?

We agree that it might not be realistic in the short-term to attempt to alter the funding structure of standard-setting activities in any substantial fashion. However, we strongly encourage the MG and the PIOB to continue in their efforts to find alternative funding methods and sources.

Q22: Do you consider appropriate that IFAC finances the largest part of the PIOB budget? If not, do you consider appropriate that IFAC launches an external fundraising having some contributions of the MG members in the mean time?

We do not consider it appropriate that IFAC finances the largest part of the PIOB budget since PIOB oversees PIACs that issue standards which, while in the public interest, are applied by members (among others) of the member organisations of IFAC. Direct funding by IFAC of the PIOB might be perceived to compromise the independence of the PIOB.

Standard-setting is both a public interest activity and of direct benefit to IFAC members: it is therefore appropriate for its costs to be borne more widely by the public, not just by IFAC members. However, given the direct benefit to IFAC members, it is also appropriate for IFAC to make a contribution to the MG to fund the PIOB. Funding by IFAC through the MG, rather than direct funding of the PIOB, should help maintain the PIOB's independence.

We agree that it is appropriate that an external fundraising be launched, with contributions from the MG members or elsewhere in the meantime, if this is possible. We think that it is preferable if any funding is not tied to specific projects or boards to ensure that the funders are not able to influence or be seen to influence work on particular projects or the independence of particular boards.

Q23: Do you think it feasible to have a similar funding structure in place for the PIOB to that in place for funding the IFRS Foundation?

We support the MG putting in place a funding structure for the PIOB and the PIACs that is similar to that of the IFRS Foundation funding. We agree with the principles underlying the funding structure of the IFRS Foundation as it is more likely to maintain the independence of the PIOB and PIACs and provide more sustainable funding in the long run.

Q24: Do you see the need for and/or merit in having a permanent Secretariat for the MG? In this case, do you think IOSCO should provide resources for a permanent Secretariat to the MG?

We question whether there is a need for a permanent secretariat for the MG, given its relatively narrow and focused role. However, if a permanent secretariat is warranted, given the diversity of sectors using the output of the PIACs, it may be more appropriate that it is not part of IOSCO. We note that the IFRS Foundation has dedicated staff in the same office as the IASB and, if a permanent secretariat is warranted, a dedicated staff member located within the PIOB offices may be more appropriate. However, any potential conflicts of interest will need to be managed, given the hierarchical roles of the bodies.

Q25: How do you think the governance of the international auditing, ethics and education standards setting process could improve audit quality? What are the main objectives that those responsible for governance should take into account?

Q26: What is your opinion about the current structure? Do you think the current structure is appropriate in order to improve audit quality? If not, what changes, suggestions or remarks would you propose?

The proper governance of the international auditing, ethics and education standard-setting process is an important part of ensuring that the standards are of high quality: this should improve audit quality. We note that ethics and education standards have a wider scope than just supporting assurance providers: the other users of these standards, for example, accountants in businesses, should not be ignored.

Proper due process will help ensure that there is proper engagement with stakeholders and with users of those standards. Good governance will mean that jurisdictions will have confidence in the standard-setting process and the quality of the standards. This may encourage more jurisdictions to adopt the standards and ensure their compliance, which may thereby raise the quality of audits.

In general (and subject to our comments in this letter), we consider that the current structure is only appropriate for the short to medium term. In the longer term, an independent operating and funding structure may further improve audit quality.

Q27: Do you agree that the current levels of empowerment and responsibility of the bodies that compose the current structure (MG, PIOB and PIACs) are appropriate? If so, do you have any suggestions for improving the dialogue and interaction between the different bodies? If not, how these levels of empowerment and responsibility could be improved?

In general (and subject to our comments in this letter), we consider that the current levels of empowerment and responsibility of the bodies that comprise the current structure (MG, PIOB and PIACs) are appropriate. However, there could be better communication of the roles and responsibilities of the bodies that comprise the current structure.

Q28: Do you think that there is any other overall structure that could achieve improvement in audit quality more efficiently? If so, what could they be and how might they be financed?

Other than our comments in this letter, we have no other additional comments.

Appendix 2: External Reporting Board's response to *The PIOB work program 2012 and beyond*

General views on the functions of an oversight body

In our view, the functions of an oversight body include, for example:

- Overseeing the processes for appointing members of the body subject to oversight to ensure that the appointment processes are open, transparent, independent and the members have the necessary skills for the job;
- Reviewing the outcomes of the body and the performance of its members to ensure that due process has been followed and the body and its members comply with their respective objectives/mandates and terms of reference;
- Reviewing and approving the processes for identifying projects for inclusion on the agenda of the body subject to oversight to ensure that the agenda is responsive to the public interest and due consideration is given to the views of stakeholders;
- Reviewing and approving the processes for developing standards and other documents to ensure, among other things, that the process is transparent, there is appropriate balancing of conflicting views and that there is independence in decision-making; and
- Reviewing and approving the accountability mechanisms to ensure that the body and its members are accountable to its oversight body and to its stakeholders.

Q1: Do you find the mandate of the PIOB as defined in the 2003 IFAC reforms ("to increase the confidence of investors and others that the public interest activities of IFAC (including the setting of standards by IFAC boards and committees) are properly responsive to the public interest") still appropriate? Please explain your views.

We consider that the wording of the existing mandate may be too limited in that it implies a focus on content rather than process. An important aspect of oversight is to ensure that due process has been properly carried out. In this respect, matters like transparency of the due process and independence are critical. We think there is a need to include in the PIOB's mandate a reference to ensuring that the PIACs carry out their work in an independent and transparent manner. While being responsive to public interest is important, to engender confidence and ensure that the standards are high quality, the boards need to be independent and be transparent in the way that they carry out their work.

We note that the mandate of the PIOB refers to ensuring that the PIACs are "properly responsive to the public interest". However, we also note that the Consultation Paper refers in some places to "protecting the public interest". It is unclear to us whether the PIOB envisages that its role is to supervise the bodies subject to oversight or to oversee how they operate.

Q2: Do you agree that the PIOB's main focus should continue to be to oversee due process and protect the public interest? Are there any other matters that the PIOB should focus on? Please explain your views.

Our general views of the functions of an oversight body are set out in the preamble to this Appendix. We consider that the PIOB's main focus should be to oversee the development of due process and to ensure that it is carried out so that the independent processes lead to high quality standards. It should focus on the independence of the standard-setting boards, through the appointment of suitably qualified persons using a public, independent and transparent process and operating processes that prevent undue political or other interference. This should enhance the public interest.

As we have stated in our general comments, as a matter of urgency, the PIOB should bring within its remit the oversight of IPSASB.

Q3: Do you find the PIOB model of informed oversight the best possible model to guarantee public interest protection?

We consider that the PIOB model of informed oversight offers a sound base for developing the PIOB's future role.

However, too heavy a reliance on the observation of the conduct of the individual bodies subject to oversight could result in other aspects of oversight being overlooked, for example, a robust membership appointment process. There needs to be a balance in the elements of the oversight activity. We consider that the model should be kept under on-going review.

Q4: Would you suggest any other avenues for the PIOB to further improve its oversight of the PIACs?

We recommend that the PIOB considers the functions that we have identified above as relevant to an oversight body. For example, the criteria for membership and the membership appointment process of the PIACs should be made very clear and the PIOB should seek to ensure that all positions are widely and publicly advertised. In addition, it will enhance credibility in the independence of the boards if the chair of all the boards could be independent, full time non-practitioners.

Q5: Do you agree with the medium-term strategic objectives for the PIOB? Please explain otherwise.

We agree with the medium-term strategic objectives for the PIOB. We also strongly recommend that it includes the oversight of IPSASB.

Q6: Given the implementation of the Oversight Assurance Mode in place of the 100% direct observation model, do you think that the achievement of a sufficient level of oversight comfort by the PIOB will itself provide stakeholders with a sufficient level of comfort that the public interest is being protected? Please explain your reasons.

It is not clear to us what "sufficient level of comfort" means. Providing stakeholders with a sufficient level of oversight comfort requires the criteria for the oversight comfort to be clear and clearly communicated to stakeholders. It requires some method of assessing whether a reasonable level of comfort has been achieved. In addition, how and whether such oversight comfort has been reached should be clearly communicated to stakeholders for accountability purposes.

Q7: Do you agree that consulting the MG and other stakeholders through an active communication policy will help the PIOB to form its own opinion on agenda-setting public interest priorities? Please explain.

We agree that the PIOB should have a clear communication policy. We agree that consulting the MG and other stakeholders through an active communication programme will help the PIOB to form its own opinion on public interest priorities, particularly to be informed of what its international constituents see as their priorities.

However, in terms of agenda setting, there appears to be a risk about who has the ultimate responsibility and right to set the agenda of the PIACs – with the PIAC, CAG and the PIOB all having an involvement. In our view, the final decision as to the agenda should lie with the PIAC. We note that the PIOB can suggest that projects be added to a board's work programme² and CAGs can provide advice on PIACs' agenda and project timetables and priorities³. It may be more appropriate, and to avoid any conflicts of interest, if PIOB merely

² IFAC Policy Position 3, p.14.

³ IFAC Policy Position 3, p. 15.

oversees the process by which agenda items are taken onto the PIACs' agenda rather than have the ability to suggest projects (except under urgent and exceptional circumstances). It is not clear to us what priority such suggestions should be given by the PIAC. For example, if the PIOB suggests that a particular project is included, does the PIAC need to give preference to the project over those suggested by its CAG?

Q8: Do you agree that the PIOB has to be fully aware of the implications of its work to protect the public interest and that its informed approach to oversight requires an active interaction with all stakeholders?

We agree that the PIOB has to be fully aware of the implications of its work to "protect" the public interest and that the informed approach to oversight requires an active interaction with all stakeholders. We suggest that in its communication policy, the PIOB sets out clearly who it considers are its key stakeholders in relation to each PIAC.

Q9: Do you agree that the PIOB mandate requires an active communication policy explaining the processes of standard setting and their public interest focus? Do you think the present minimalist policy is sufficient? Do you think that raising awareness of the work of the PIOB should be an objective of its communications policy? Please explain.

We agree a communication policy and a communication programme explaining the processes of standard-setting and their public interest focus is required. We consider that this should be a collaborative effort between all the parties involved in setting standards, not just a PIOB effort.

We agree that raising awareness of the work of the PIOB and the PIACs should be an objective of this communications policy. This may give the public more comfort to know that that the PIACs have set standards with a focus on the public interest.

Q10: Do you agree with the view that has been put forward that funding has to be diversified and should not largely dependent of IFAC funding?

Q11: Please suggest alternative sources for diversifying and financing the PIOB budget.

As stated in our general comments, we strongly support the view that has been put forward that funding has to be diversified and should not largely be dependent on IFAC funding. We acknowledge that accessing this funding may not be easy and recommend that the PIOB work with the MG to develop a stable and effective funding model, possibly along the lines of the IFRS Foundation.