



ICAC comments to the 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?

Yes, definitely, independence from the audit profession should be one of the goals to achieve.

We would like to remark the importance of redefining the nature of non-practitioner with the necessary criteria that reinforce their Independence (as review cooling off periods for ex audit partners).

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?

Yes, it will be in favour of independence. A similar model to the one adopted by the IFRS Foundation could be applied, where all interested parties throughout the world who benefit from the standards, participate.



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

From a theoretical point of view, we consider that a three-tier system would be more appropriate. However current system should be changed and a similar model to the one adopted by the IFRS Foundation could be adopted. This involves the existence of 3 layers:

- Standard Setting Boards
- PIOB (expanding its functions to technical support to PIAC's and acting as the IFRS Foundation Trustees, who have, among others, the responsibility for the financing arrangements)
- Monitoring Group (that oversees the whole structure)

However if the system mentioned above could not be put in practice, we should take into consideration the following aspects:

- a) the structure should not be financed in its majority by IFAC,
- b) the possibility of a Permanent Secretariat of the Monitoring Group,
- c) PIOB budget and a MG budget to be financed.

In this context, we believe that a two-tier system would be adequate enough to achieve the objective of getting confidence in the standard-setting activity.

These two layers would be composed by:

- Standard Setting Boards
- MG (with strategy role, technical support and oversight of PIAC's performance)



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?

Not at this stage due to the differences. Furthermore, it would complicate the current structure that is treated in this consultation. The IFRS Foundation Constitution could be explored.

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 are in favour of a compilation document to facilitate public perception of the work done though this document refers to different bodies. About the nature of the document we don't have any preference.

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

We consider that the names proposed are too long. We consider that the current names are appropriate.

Q7: Do you agree with the MG having a more strategic role?



According to our answer to Question 3, we agree if the two-tier system is adopted but not in the case of the three-tier model proposed in Q3.

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?

It would not be applicable with our two-tier proposal. In the case of three layers, it would be against its independency as oversight body.

Q9: Do you agree with the suggestions on how to improve the communication activities of the MG? Do you consider it useful for the MG to have in the special occasions above described direct involvement with PIACs?

Yes, especially with the proposals regarding the issuance of more frequent press releases and the improving the website visibility of the MG.

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

No comments.

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



We consider that the current structure meets with audit scope. A larger structure could go against its effectiveness.

Q12: What is your opinion about the current composition of the MG? i) Do you believe that other organizations (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?

We consider that the current structure meets with audit scope. A larger structure could go against its effectiveness.

As for the appointment of the Chairperson, it should be elected by all members of the MG.

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

In a two-tier system this problem would be eliminated. However with a three-tier system it could entail a conflict of interest.

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

In a two-tier system this problem would be eliminated. In the case that a three-tier system is maintenance, PIOB representatives should not be more senior than MG representatives.



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

Yes, definitely. The current structure is very complex and any step taken to clarify it would be helpful. It could also be useful to analyse the roles and responsibilities of each party in order to assess if there are synergies and overlappings that make it advisable to merge them.

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

We consider that MG monitoring would be sufficient.

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?

Yes, a strategy document would be useful in order to communicate the long/mid term PIOB's activities. This periodical strategy document will complement the yearly business plan and budget. It would also help to follow up the evolution of PIOB's remit.

MG should not participate in these documents.



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?

In the case of a three-tire structure, current composition of PIOB should be reviewed and a more independent appointment system should be established.

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 consider that 9/9 non-practitioner/practitioners ratio does not ensure independence. We remark here as well the importance of redefining non-practitioner nature.

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

Maybe nine years could be considered as a long term; maybe six years could be more appropriate.

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 is not realistic to change the funding structure in a near future. Nevertheless we highlight that PIOB could not be funded in its majority by IFAC.



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?

IFAC should not finance the largest part of PIOB budget since the way to guarantee independence is independent funding. As we describe in Q2, a model with “Trustees” that look for a structure of funding could be adopted. In the mean time, MG members should contribute to PIOB funding in the basis of independence.

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?

See responses to Q2 and Q3.

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 encourage a permanent secretariat funded by MG members.

Following our proposal of two-tire structure, current permanent secretariat of PIOB could be in charge of MG permanent secretariat.

We consider that the permanent secretariat should be independent of only one MG member.



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?

The main goal is to improve audit quality, mainly in public interest activities. This goal could be achieved with a predominant public presence and the independence of those who are in charged of setting standards and those who oversight audit firms.

Thus, the importance of the role of the MG as a link between standard-settings and oversight bodies.

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?

It could be better mainly in terms of independence and roles definition. Comments provided along this document

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?

According to our experience, we think the feedbacks and comments from national authorities are not taken appropriately into account in the standard setting process.



Our impression is that the comments from the profession are the ones that seem to determine the content of the standards.

In this sense, the oversight of the standard setting process should take more into consideration the criteria underlying the concept of public interest.

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?

No comments.

Madrid, 28th June 2012