

The Monitoring Group
IOSCO
Calle Oquendo 12
28006 Madrid
SPAIN

By e-mail: Piob-MonitoringGroup@ipiob.org

The President

Correspondent
+32 2 5090059
sg@ibr-ire.be

Our reference
DS/AC

Your reference

Date
June 28, 2012

Dear Sir or Madam,

Regarding: IBR-IRE Comments on the Monitoring Group Public Consultation on the governance of the Monitoring Group, the PIOB and the standard setting boards and Compliance Advisory Panel operating under the auspices of IFAC

The Belgian Institute of Registered Auditors (*Instituut van de Bedrijfsrevisoren – Institut des Réviseurs d'Entreprises*, "IBR-IRE") is pleased to provide answers to some of the specific questions raised in the "*Monitoring Group Public Consultation on the governance 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?

IBR-IRE considers that the representation of the public interest can be enhanced at different levels. We refer therefore to the answers to questions 11 and 12. In particular, the Monitoring group ("MG") could be integrated in the system of the United Nations (in order to give more legitimacy and cultural diversity), and composed of representatives decided upon by the UN among national regulators or oversight authorities. The PIOB could remain composed of a smaller group of competent and knowledgeable people.

The MG could use the six official languages of the United Nations. This would in our view, contribute to enhance the cultural diversity within the MG and serve in the meantime the public interest.

In relation with the second part of the question, we are not supportive of enhancing and strengthening the definition of non-practitioners if this means that they need to “*bring substantial experience outside the auditing profession and have severed any material economic link with that profession*”.

We consider it important to ensure persons employed by auditing, tax and accountancy professional associations are included in the definition of “non-practitioner” especially when they are not even qualified for practicing such a profession and this because of their interesting background which is without any doubt very helpful to the discussions leading to the issuance of high-quality standards. Furthermore, we do not consider that the potential economic link those persons would keep with a professional organization should be considered as a conflict of interests undermining their independence, especially in the light of the IFAC Declaration relating to independence and integrity which needs to be signed by the nominating organization on an annual basis.

In any case, employees from auditing, tax and accountancy professional organizations need to be equally considered to avoid discrimination based on artificial suspicions against one particular group of accountancy organizations.

Finally, we consider that standards should be:

- prepared by standard setting boards where professionals should have at least half of the seats, because standards must first be relevant to the professionals: everybody agrees that standards for surgery should first be prepared by surgeons, etc. – why should accountants be excluded or left in a minority for audit standards?;
- approved by a supervisory and independent body (PIOB).

We see in fact the following framework as a desirable objective:

- a MG being a part of the UN system, being appointed and fully financed within this system, and responsible mainly for defining the general priorities of the standard setting process;
- a PIOB composed of a small number of high level experts, appointed by the MG, financed within the UN system, and responsible mainly for approving the details standards;
- PIACs composed of professionals for no less than half of their members, appointed by IFAC with the approval of the PIOB, responsible mainly for drafting proposed standards and financed on a shared basis by IFAC and the public sector.

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?

IBR-IRE is not supportive of a different standard-setting model and joins the position of IFAC with this respect. It appears indeed of crucial importance to IBR-IRE to continue to involve practitioners of the accountancy profession within the

standard-setting structures (IAASB, IESBA, etc). See also our answer to question 1.

The involvement of practitioners is required first of all, to ensure the quality of the standards (technical competence in the standard-setting process). Their involvement is also essential to ensure the global acceptance of the standards by the practitioners themselves as they will need to apply the standards. By removing practitioners from the issuing process, the standards shall undoubtedly be affected also by a significant lack of legitimacy.

Consequences hereof can be serious, the main risk being that the standards will not be implemented consistently which will create uncertainty and instability in a global economic context already weakened by the financial and sovereign debt crisis. Moreover, a profession fully regulated by people not coming from the profession itself will lose its attraction to recruit young, motivated, innovative professionals.

IBR-IRE supports therefore a standard-setting model which includes a balanced presence of the private and the public sector. Furthermore, IBR-IRE considers added value through input from the private sector to be a pre-requisite in the process of issuing high-quality standards, provided that the public interest is permanently served.

In parallel, IBR-IRE considers it essential to diversify the funding of the system, and believes that the public sector (States, authorities and regulators) should also contribute financially within a reasonable term. If after this reasonable term, the public sector is not ready to take its share in the funding of the system, this would prove a lack of relevance of such a system. A sunset clause for the participation of the public sector in the standard setting process should be introduced – this sunset clause being related to the ability of the public sector to take its share in the funding of the standard setting process.

To IBR-IRE, a shared private sector / public sector funding, appears to be a key component of balanced governance. In this respect, we refer also to our comments on the PIOB public consultation.

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 of the opinion that IFAC governance and due process would be improved by enhancing the transparency of IFAC standard-setting boards and committees. A “Compilation Document”, containing all the basic features and rules applicable to the different bodies would thereby be very helpful from an external point of view.

IBR-IRE is indeed supportive of this recommendation. However, we would also

recommend, for the sake of transparency, terms of references to be issued for the planning committee within the current PIAC's.

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?

Liaison not only with investors but also with other stakeholders (such as employees, creditors, consumers, tax authorities, etc.) can potentially be improved by continuing to stress the importance of the role of the accountancy profession and by restoring a positive image of the profession.

IBR-IRE believes that it is up to the MG to decide whether some portions of the MG meetings can be opened to the public at large.

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?

IBR-IRE considers it necessary to enhance the representation of the public interest at the level of the MG. Engaging with the G20 can be profitable in view of the global regulatory convergence objective, but we should prefer that the MG be included in the UN system, in order to further develop a monitoring process with increased legitimacy and representation. See also question 1.

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?

As set out above under question 11, IBR-IRE considers it necessary to enhance the representation and cultural diversity of the public interest at the level of the MG. IBR-IRE is of the view that the current composition of the MG should for instance be extended to more national regulators in order for the MG to gain a higher level of legitimacy. As a consequence, the international standards issued by IFAC would be more easily adopted and implemented at national level.

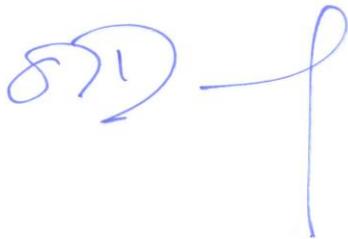
We would therefore appreciate that *each* national authority and/or regulator gets the opportunity to recommend its best candidates.

See also question 1.

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?

We believe that the current structure, where the PIOB has an oversight function and the MG a monitor function, is suitable. However there is a need to avoid mix-up and over-lap between the two levels. Clarification of the respective competencies and roles would therefore be beneficial. In our view, the MG should give general orientations to the whole process, while the PIOB should endorse detailed standards as proposed by the various PIACs.

Sincerely yours,

A handwritten signature in blue ink, consisting of a stylized 'M' followed by a vertical line and a horizontal stroke.

Michel DE WOLF
President