



CANADIAN PUBLIC ACCOUNTABILITY BOARD
CONSEIL CANADIEN SUR LA REDDITION DE COMPTES

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July 6, 2012

Mr. Fernando Restoy
Chairman
Monitoring Group

By e-mail: Piob-Monitoring Group@ipiob.org

Dear Sir:

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 Canadian Public Accountability Board (CPAB) is pleased to comment on the Monitoring Group (MG) governance review consultation paper. Effective governance and oversight is critical to the development of high-quality standards that serve the public interest, CPAB commends the MG for engaging with stakeholders on its governance review.

CPAB is Canada's independent audit regulator responsible for overseeing firms that audit Canadian reporting issuers. Our mandate is to promote high quality independent auditing that contributes to public confidence in the integrity of reporting issuers' financial reporting. We accomplish our mandate by inspecting audit firms and audit working paper files which provides us with insights into the application of auditing standards and how they might be improved.

We set out below our observations on the MG consultation paper and our suggestions for making improvements.

Three-tier System and Roles

In our view, the current three-tier system is appropriate, however, improvements should be considered to increase the effectiveness of the monitoring and oversight processes. Greater clarification is needed of the respective roles and responsibilities of the MG and Public Interest Oversight Board (PIOB). The role of the MG should be to monitor the activities of the PIOB, appoint members of the PIOB and approve the PIOB strategy and budget. The MG should consider enhancing its communication with the PIOB to raise issues and concerns. We do not support closer direct involvement by the MG with the Public Interest Activity Committees (PIACs) as this may create confusion and undermine the oversight role of the PIOB.

Under the current framework it is critical for the PIOB to appropriately challenge PIACs on significant public interest concerns raised by stakeholders and be satisfied with the response. We are supportive of the PIOB periodically producing a strategy document which includes a review of its due process and oversight framework, the MG should provide input to the development of the PIOB's strategy.

To assist stakeholders in understanding the standard-setting model it would be beneficial to create a compilation document that clarifies in one document the structure and status of the monitoring, oversight and standard-setting activities.

Composition of PIACs

To produce high-quality standards that serve the public interest the PIACs need to have the right balance between technical expertise and independence of the profession. Any proposed changes to the current balance of practitioners and non-practitioners should not negatively impact the quality of the standards.

We commend the steps taken by IFAC in response to the recommendation to appoint an independent Chair for the International Ethics Standards Board for Accountants (IESBA). The Code of Ethics for Professional Accountants (the Code) issued by the IESBA is viewed by many countries, including Canada, as not robust enough to serve the public interest and therefore requiring modification. For example, we understand the independence requirements in the UK, US, France, Japan, South Africa and Switzerland are more rigorous than the Code. Consideration should be given to improving the effectiveness of oversight of the IESBA and/ or IESBA composition to contribute to a more robust Code that gains greater acceptance globally.

We believe audit regulators gain valuable insights into the application of auditing standards and how they might be improved, consideration should be given to greater audit regulator participation on the International Auditing and Assurance Standards Board and IESBA.

Funding and Permanent Secretariat

It is desirable to broaden the PIOB funding base and reduce the dependence on IFAC. Given the public interest nature of PIOB activities it is desirable over the longer term for 50% or more of the PIOB costs to be funded from sources other than IFAC. However, we believe the current structure has safeguards to protect the public interest, and the source of funding does not negatively impact the effectiveness of the standard-setting process.

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We support the creation of a permanent secretariat to facilitate the work of the MG. The current arrangement, where the Chair is responsible for providing the secretariat, is not sustainable. The formation of a permanent secretariat will also help ensure continuity and retention of institutional knowledge.

We appreciate the opportunity to respond to the governance review consultation paper, and would be pleased to discuss further any of the above comments.

Yours very truly,

A handwritten signature in cursive script, appearing to read "Brian Hunt".

Brian Hunt, FCA
Chief Executive Officer