

Address by the Chairman of the PIOB to IFAC Council
10 November 2006 – Istanbul

Dear members of IFAC Council

First, let me say how pleased I am to be with you again. Today I would like to bring you up to date on the progress achieved by the PIOB since the last time we met. As much of this progress has been documented in our May 2006 first public report, I plan to focus on what we have been doing since that time, where we stand right now and where we go from here.

Our interests can be summed up in three words: people, plans and process. In other words, getting the right people on the job, getting them focused on the right goals, and keeping a close watch on how they go about achieving those goals. There is also a fourth element that wraps around the other three – ensuring that all of these elements behave in a dynamic way, prompted by mechanisms that continuously reassess what best serves the public interest in the context of a rapidly changing external environment.

First, the people.

This year, the PIOB paid a great deal of attention to the activities of the IFAC Nominating Committee and in particular to the challenging task of improving the ratio of non-practitioners to practitioners on each of the IAASB and the IESBA. In arriving at its suggested targets for 2007, the PIOB took into consideration the need to carefully balance the benefits of bringing more independent members onto these boards against the risks that this change might undermine the technical strength required by to deal competently with these boards' challenging agendas. Recognizing just how difficult this task might be, the PIOB committed to observe every meeting of the Nominating Committee, either in person or by telephone, both to gain an understanding of how the Nominating Committee was dealing with these issues and to be available for consultation if required.

Those PIOB members assigned to observe this year's Nominating Committee meetings noted several improvements in the calls for candidates and in the quality and sensitivity of individual candidate assessments and overall board composition. As a result, it was not difficult for us to conclude as a group that the final nominees presented for consideration at our September meeting were suitable choices for 2007.

Next year we will continue monitoring this important activity with particular focus on the Nominating Committee's efforts to achieve the final IAASB goal of 50 percent non-practitioners.

Second, the plans.

The PIOB has begun its preparations to review the future work plans of the three standard-setting boards which we oversee. Over the last several months we have been working closely with IFAC senior staff on the approach that each of the boards should follow in developing their respective two-year strategic plans and work agendas for the next twelve months.

A key feature of this approach is its definition of what constitutes adequate and appropriate consultation by each board with external public interest stakeholders. Another important element is the definition of roles and responsibilities for both the boards and the PIOB throughout the process.

Now that an approach has been finalised, the PIOB will commence its reviews of both the process undertaken by each board and the plans that emerge from that process. In turn, the PIOB will use these plans in the development of its future work program.

I also mentioned the importance of paying attention to process.

This year, the PIOB took an important decision to commence active observation of CAP meetings starting in January 2007. Up to now, the PIOB has been receiving semi-annual

in-depth reports from the CAP Chair and has noted very good progress in the various phases of the CAP program. However, our serious interest in how well ISAs are being implemented in the field and how the CAP plans to deal with individual compliance issues and challenges suggests that now is the correct time to move to more proactive monitoring. Both we and Mr. Mednick, the CAP Chair, look forward to this new phase of our relationship.

In closing, I wish to acknowledge the role that IFAC has played in our own development over the past year.

Graham Ward, your outgoing president, demonstrated extraordinary leadership during this critical first phase of the reform process. Through his efforts and those of his fellow board members, the PIOB and IFAC established an environment of mutual trust and a positive working relationship, both of which have already begun to pay visible dividends. We thank Graham for this and wish him well.

We also congratulate Fermin del Valle in his new role of IFAC president and look forward to building further on the trust and positive relationship already established between our two organisations. As this will be an especially critical developmental period in international standard setting and compliance activities, we wish him every success.

Further, I would like to thank Ian Ball for the many ways in which he and his staff have supported the PIOB over this last year. I also wish to congratulate him on his reappointment as Chief Executive.

Finally, while the PIOB's role is to provide independent oversight to specific public interest activities of IFAC, I would note that we have consciously adopted a constructive and non-adversarial approach to our work and view ourselves as your partners in the reform process. For this reason, I wish to thank each and every one of you for your continuing commitment to the goals of IFAC reform and for the confidence you have shown in the PIOB and its mission.