

**PIOB CHAIRMAN'S ADDRESS TO IFAC COUNCIL
13 NOVEMBER 2007, MEXICO CITY**

Dear members of IFAC Council:

Once again I am pleased to be here with the members of the IFAC Council today and to have the opportunity to update you on the activities of the Public Interest Oversight Board.

The choice of Mexico City for this meeting is significant. It reflects IFAC's continuing commitment to its members in every region of the world and recognition of Latin America's increasing potential to contribute to the development of the global accounting profession. As the PIOB's first term draws to a close, Mexico City is also a fitting place to reflect on this first term and on the PIOB's contributions to the IFAC reform process.

It was at the 2003 meeting of Council that IFAC member bodies first agreed to embark on a program of significant reforms. This program was intended to accomplish two things: to restructure and strengthen the system of governance applied to key IFAC public interest activities, and to demonstrate through the implementation of these reforms and ongoing operations that IFAC was fully committed to serving the public interest.

By the next Council meeting in November 2004, certain elements of this reform had already taken shape. The former International Auditing Practices Committee was now the International Auditing and Assurance Standards Board, an independent standard-setting

body under the leadership of John Kellas, its first full-time Chairman. The existing Consultative Advisory Group had also appointed its first independent Chairman, an important step forward in establishing a more effective system of checks and balances within an improved due process for setting international standards. In 2004 the IFAC Council also reaffirmed its 2003 commitment to the reform process and I had my first opportunity to meet and speak with you as the incoming Chairman of the PIOB.

By the end of February 2005 all PIOB members had been appointed and were ready to take up their mandate. A short eight months later at the Auckland meeting, I was pleased to advise Council members that the PIOB had moved forward quickly to establish an effective program of oversight and to create a legal and operating presence in Spain. Over this same period the PIOB approved a common due process for all three independent standard-setting boards together with a transparent process for the recruitment and selection of the members of these boards and IFAC's Compliance Advisory Panel. Through its continuous observations of these processes and regular quarterly deliberations, the PIOB were also beginning to develop views on what its members were seeing, how the PIOB's role should evolve, and the nature of the international public interest. These views were eventually published in May 2006 as part of the PIOB's first public report.

By November 2006, my Istanbul address covered the further evolution of these initiatives plus the launch of the third and final element of the PIOB's core program – oversight of the due process used by the three standard-setting boards to establish strategic plans and

priorities. Included in this element was the PIOB's responsibility to assess the completeness of each board's proposed final plan from a public interest perspective. I also noted the achievement of three key public interest goals during this period: parity between the number of practitioners and non-practitioners on two of the three standard-setting boards, appointment of an independent chairman for each of the remaining CAGs, and the agreement of all three CAGs to begin holding public meetings as soon as possible.

I would now like to speak about two further PIOB initiatives launched in the latter half of 2006 which have since evolved into major ongoing programs.

The first of these, a project-by-project approval of due process completion, was already identified within the IFAC reform model as a specific PIOB responsibility. By early 2007 the PIOB had already reviewed and approved a total of fourteen standards, primarily ISAs, in either closed off or final clarified form plus the related Preface for auditing, assurance and quality control standards. It is therefore fair to say that as the IAASB moves quickly to complete the approximately thirty standards remaining in its Clarity project, due process signoffs will occupy an increasing portion of the PIOB's agenda. It is also fair to say that a host of external stakeholders with an interest in the IAASB standard-setting process have been watching and will continue to watch this aspect of the PIOB's work with great interest.

The second initiative, named the “visibility project”, involved a drive by the PIOB to build greater awareness among external stakeholders about its mission, the progress of IFAC reform and the importance of promoting broad-based adoption and use of international standards. The PIOB targeted three key audiences – the regulatory and other organisations behind IFAC reform, national audit regulators and the accounting profession – and commenced an active program to engage with these audiences through selected speaking engagements and leadership dialogues.

One excellent example of this outreach occurred last June when I was invited to speak at the Accounting and Accountability for Regional Economic Growth Conference co-sponsored by IFAC, the World Bank and the IADB. While this provided me with the opportunity to address more than 450 individuals from the Latin American and Caribbean regions plus a further sixteen countries, I, too, came away from this event with a much deeper appreciation of the challenges facing the accounting profession in the developing world and in particular how these challenges might affect not only standard-setting but also adoption and sound implementation. Insights such as these assist both me and my PIOB colleagues to approach our public interest tasks with greater awareness and sensitivity to the issues and needs of a broad variety of constituents.

This outreach program continues and will remain an important element of the PIOB’s overall program. It will also be the source of further insights into the nature of the international public interest, how the objectives of IFAC reform contribute to the

achievement of improved global financial reporting, and how the efforts of numerous stakeholders can be best coordinated to achieve a common goal.

Turning back for a moment to the three original elements of the PIOB's oversight model – which I described last year as people, plans and process – I would like to note two specific public interest-focused achievements in 2007. As a result of this year's nominations process, the 2008 IAASB will now be comprised of an equal balance of practitioners and non-practitioners. Also, the PIOB recently considered and has approved the IAESB's strategic plan and work program and expects the remaining two plans to be presented for approval in the coming months.

Finally, I would like to spend a moment on one element of the IFAC reform initiative which has been put into place this year.

Until the end of 2006, the PIOB received semi-annual reports from the Chair of the Compliance Advisory Panel and his senior staff on the progress of IFAC's Compliance Program. In the early information-gathering stages of this program, the PIOB was satisfied that its oversight responsibilities could be met through these regular updates. However, with the effective completion of Part 2 of the program and the CAP's shift in focus to overseeing the development and implementation of member body action plans, the PIOB concluded that it should begin active monitoring of CAP meetings in this year.

It is also anticipated that the work of the CAP will be of increasing interest to both national and international external stakeholders as they shift their attention from international standards development towards regional and national implementation and compliance activities. For this reason, the CAP and the IFAC Compliance Program is expected to become a significant focal point within the PIOB's oversight program.

To help achieve these growing and increasingly complex objectives, the PIOB has recently added two senior professionals to the Secretariat. One of these individuals will focus on the PIOB's core oversight activities while the second will develop and manage the PIOB's External Relations program. With the addition of these two individuals, the PIOB Secretariat is now complete and the broader PIOB has reached a "steady state".

In summary, these past three years have been a period of significant growth and maturation for the PIOB with clear evidence of contribution to the implementation of IFAC reform and toward the restoration of public confidence in the auditing profession. There is also irrefutable evidence that the standard-setting boards, the CAGs and the CAP, and indeed IFAC as a whole, have made good progress toward achieving the two objectives identified at the beginning of my remarks.

Looking forward, the PIOB intends to deepen and strengthen its oversight of the due process for creating high quality standards that serve the international public interest. The PIOB will also continue its efforts to develop strong relationships with stakeholder

organisations in order to promote collective and coordinated action toward the achievement of common public interest goals.

Your continuing support is essential to our success in this mission.