

THE PIOB AND THE INTERNATIONAL FEDERATION OF ACCOUNTANTS

Stavros B. Thomadakis
Chairman, Public Interest Oversight Board

IFAC Council

Auckland, New Zealand – November 17, 2005

Ladies and gentlemen,

It is a great pleasure to have been invited to the IFAC Annual Conference, and to come to this faraway and very beautiful land of New Zealand. I want to express my personal gratitude to the New Zealand Institute of Chartered Accountants for their hospitality.

As IFAC completes its first year of operation under a new and rigorous constitution, this week provides an important opportunity for all of you to reflect on how far IFAC has travelled and to determine what distance remains.

In the same way, my objective today is to bring Council members up to date on the many positive developments that have occurred since your meeting in Paris last year, on where the Public Interest Oversight Board stands right now, and where it intends to go from here.

A year ago IFAC reaffirmed its unanimous support for constitutional reforms that included, among other important matters, the creation of the Public Interest Oversight Board. Even more important was the strong signal that the new entity should be launched as quickly as possible. This task fell to the same key groups responsible for the final formulation of IFAC reforms, and was executed by the end of February 2005. This was an impressive achievement considering the many players involved, the importance of the task, and the need for full consensus at each stage.

The first step was for members of the Monitoring Group – the International Organization of Securities Commissions, the Financial Stability Forum, the Basel Committee, the International Association of Insurance Supervisors and The World Bank, along with IFAC – to complete the due process designed for appointment of the initial board.

The PIOB was formally launched on March 1, 2005, and held its first meeting in Paris. It met again toward the end of April in New York, and a third time in Madrid in the latter half of September. The initial meeting was focused on setting direction, with subsequent meetings dedicated to “getting down to business.”

Almost immediately the Board commenced its program to fully engage over time with the workings of each of the Public Interest Activities Committees (“PIACs”). One aspect of this program involved firsthand observation of regularly scheduled PIAC meetings by one or more Board members, followed by written reports to the Board as a whole. Another aspect involved meetings between various PIAC leaders and the full Board.

Our activities so far have reflected our desire to move forward on several fronts simultaneously and achieve a broad variety of goals by the end of the calendar year. Some of these goals were quite pressing, in particular the selection of a permanent location for the PIOB Secretariat and appointment of a Secretary General. These key decisions were taken by the end of July and permitted us to start the process of establishing ourselves physically in Madrid and achieving legal presence under Spanish law.

Let me now offer some observations on where we are at this point.

The current composition of the PIOB is one that makes me very optimistic. The balance and variety of board members’ skills, experience and perspectives is very constructive. Members come from a number of professions and all branches of regulation, often with broad and deep experience in several spheres. The group has also been well balanced geographically with three members domiciled in Europe, four in North America and one in Japan. The working atmosphere among PIOB members is excellent. I, therefore, have grounds to be optimistic about the output of the PIOB’s work.

I am also pleased to report that the European Commission recently appointed two observer members to the PIOB. These are Sir Bryan Nicholson, chairman of the UK Financial Reporting Council and Prof. Dr. Kai-Uwe Marten, deputy chairman of the Audit Oversight Commission of the Federal Republic of Germany. We welcome this development and believe it will add an important new dimension to the quality of PIOB deliberations, and the balance of perspectives within the Board.

Our learning curve has been steep, and the Board has taken up the challenge with enthusiasm. We have attended practically all PIAC

meetings to date, covering the IAASB, the Ethics and Education Committees, their related Consultative Advisory Groups (CAGs) and IFAC's Nominating Committee. Our intention is to attend as many PIAC meetings as feasible during the coming year to deepen our understanding of the work and of the process of these groups. We believe that the work of the Consultative Advisory Groups is valuable in contributing to the public interest perspective of IFAC's standard-setting committees. For that reason we feel that efforts must be redoubled for independent chairmen of the Ethics and Education CAGs to be appointed.

Although this first year of our operation is dedicated primarily to learning, we have also been providing input to IFAC due process. At our September meeting we reviewed and approved IFAC's *Standard-Setting Public Interest Activity Committees' Due Process and Working Procedures*, a critical document setting out the framework under which standard setting projects are to be conducted. An innovation in this has been the adoption of a common due process for all PIACs. We are currently considering the draft Terms of Reference for Consultative Advisory Groups and their Chairs, as well as the draft Terms of Reference for the PIACs themselves.

We have also monitored very closely the IFAC nomination process this year and recommended some improvements in its conduct. Our recommendations have been implemented by the Nominating Committee. It is our view that the nominating cycle which we observed this year was conducted in a highly professional and transparent fashion. We will be recommending further improvements in the future, as our engagement continues and deepens.

On the administrative front, we are also making good progress toward establishing a foundation under the laws of Spain that will provide the legal presence we need to operate as an international public interest organisation. We also expect to have our secretariat fully staffed and operational in the first half of 2006.

I would like to say a few words about national oversight authorities. We recognise the rapid development of these bodies in a number of jurisdictions and the key role they play in regulating the audit profession. We also see the potential for constructive dialogue and co-operation among these groups. It is our hope, and our conscious policy, to see that a similar relationship can be established between these groups and the PIOB. This will enhance our respective contributions to the public interest, and will allow a more coordinated international landscape of audit regulation.

Finally, I would like to say that the working relationship of the PIOB, its secretary general and myself, with the leadership of IFAC has been excellent. I want to thank Graham Ward, Ian Ball and all their colleagues and collaborators for the sincere support to the PIOB and its mission. I believe that as we continue to work together, we shall be enabled to achieve the goal of setting standards in the international public interest.

I want to wish this Council success in its important work.

Thank you.