

ADDRESS TO THE BOARD OF THE
INTERNATIONAL FEDERATION OF ACCOUNTANTS

STAVROS B. THOMADAKIS

Chairman

PUBLIC INTEREST OVERSIGHT BOARD

Cape Town, South Africa

March 17, 2005

I am happy to address the Board of IFAC on this momentous occasion, and I thank you Mr. President for the invitation to do so.

On February 28 the Public Interest Oversight Board (PIOB) was put on the map of world financial architecture. Its function is, as you well know, to oversee IFAC's public interest activities. The inauguration of the PIOB represented the end of a fairly long process of planning and negotiation for the implementation of this central aspect of IFAC reform. The reform has in fact been welcomed not only by IFAC itself but also by world regulators. The world profession of accountancy has itself sought to move from self-regulation to external public interest oversight, and the PIOB is the result. I believe that this is a very positive conjuncture: the PIOB is a cooperative solution seeing to the needs of both the accounting profession, which requires an independent external guide towards and verifier of its commitment to the public interest, and the regulatory community, which requires a transparent and effective mechanism of oversight, after the major failures of the past few years. It is clearly in everyone's interest that oversight is now organized quickly for efficient operation.

On February 28 when the PIOB was born, a new period started. For the first time since their operation all the major regulatory organizations came together at a unique confluence of views, working in tandem with IFAC. The challenge of fulfillment of the goals of reform has now shifted from the monitoring group of the international regulators to the PIOB itself, I can vouch, representing the views of the entire board, that we will work hard to further the goals of high quality standards, the independence and transparency of the audit process, the quality and high qualification of those who exercise the accounting and audit function, the high ethical content of the commitment of the professional accountant, and the widest possible

convergence of standards across the world. In doing this the IOB will fully recognize the needs of the users of the outputs of the accounting and audit function, including investors, enterprises of all size, analysts, institutions of finance, organized markets and regulators.

The IOB will also fully recognize that the process of international standard making, notably the one producing the International Standards on Auditing, is an ongoing process that must continue its flow and improve its efficiency and its quality as much as possible. I know that the chairman, the members, the technical staff, and the members of the International Auditing and Assurance Standards Board and its Consultative Advisory Group are very committed and are already exerting a high effort to produce high quality work, at the present time. The IOB will naturally assert its role of public interest oversight, and will strive to do so without disrupting the efficient flow of the present process. Our intervention in due process, priorities and other matters will be grounded in a sound familiarization with the process, and consultation with those involved in it.

It is important to recognize that the quality of audit standards, the success of compliance, the level of ethical codes, and the professional quality of those engaged in the process of production of financial reporting are crucial foundations for the market system. It is also important to recognize that other aspects of the market process also have to improve along and work together with standards in order to achieve overall success. Corporate governance and the quality of national enforcement of reporting and audit standards are two such elements that must be present in increasing quality. Although not directly in the remit of the IOB, our interest in developments on these fronts will remain very vivid. After all, the final success of our project will much depend on the success of reforms in these other areas and I know that the world's regulators are quite aware of the inter-linkages in the reforms and these effects.

I must devote special mention to the emerging national oversight authorities (NOAs) of financial reporting standards and compliance around the world. Market turbulence in the late 1990s and early 2000s, especially the big accounting scandals, created the impetus for oversight of accountancy and audit. Many national jurisdictions proceeded to either form new national oversight authorities or strengthen existing ones. Financial market and institution regulators have played a central role in this development by insisting that the quality of financial reporting must be assured in order for

markets to regain lost confidence of the investing public. Today several prominent oversight authorities are already in operation, notably in the US, Japan, Canada, the UK, France, Australia, Singapore and elsewhere. The revised 8th company law directive of the European Union (EU) will mandate the operation of such authorities in every member state. Many EU countries, as well as others, have already formed such authorities. Many of you, I am sure, are already encountering the regulatory intervention of these authorities in your home jurisdictions.

The political and regulatory agenda that led to the creation of national oversight authorities has also strengthened the drive for an international body such as the IOB. The Board will seek maximum liaison with NOAs in defining public interest priorities and will offer its good services to the tasks of international cooperation and coordination among NOAs around the world. More importantly, the job of world coordination will be greatly facilitated as we move towards convergence of audit and other professional standards of quality, ethics and professional qualification. The IOB's role in this aspect of convergence will be central, and I believe that it will furnish the testing ground for success in its function.

It is my firm belief, as I know it is yours also, that the fulfillment of the goals of oversight in the public interest will lead to better, more stable, more transparent, higher quality markets around the world. The outcome will benefit the users of markets - investors and firms - who require higher quality information and integrity in the market process. It will benefit national economies and their development. I believe that working together we will succeed in this new and challenging joint project and in meeting our common goals.

Thank you very much.