

Recommendations of the Monitoring Group

Ken Dakdduk

IESBA Meeting

New Delhi, India

February, 2011



Purpose of Review

- Fulfill requirements of 2003 IFAC Reforms
 - Five-year review of reform implementation
 - Reforms aimed at increasing confidence in structure and processes of boards/committees
 - Responsive to the public interest
 - Would lead to high quality standards and practices

Building the best standard-setting boards

- Recommendation #1
 - Discontinue practice of reserving 15 seats
 - Forum of firms and member bodies
- Rationale
 - Make board seats accessible to all qualified people
 - Achieve broad-based stakeholder participation
- Response
 - Gain deeper understanding of the issue
 - Need to revise IFAC Constitution

Building the best standard-setting boards

- Recommendation #2
 - Evaluate time/financial commitments of board members
 - Focus is on non-practitioner board members
- Rationale
 - Whether pool of qualified non-practitioners who could meet time/financial demands of board position without compensation is large and diverse enough
 - Particularly SMEs, SMPs, emerging market countries
 - May require some financial incentives to participate
- Response
 - Same as for Recommendation #1

Building the best standard-setting boards

- Recommendation #3
 - IESBA chair should be independent of the profession
- Rationale
 - To prevent inherent conflicts of interest
- Response
 - What constitutes “independent” of the profession
 - IESBA’s mission is broader than auditor independence
 - Need to revise IFAC Constitution

Building the best standard-setting boards

- Recommendation #4
 - Substantial number of non-practitioner board members should work outside of auditing-related organizations/auditor professional associations
- Rationale
 - To bring other perspectives to the debates
- Response
 - Need to agree on current definition of “non-practitioner” or revise; proceed accordingly

Building the best standard-setting boards

- Recommendation #5
 - Make complete information about board members available on website
 - Backgrounds, qualifications, affiliations
- Rationale
 - Regulators/other external stakeholders can decide the level of confidence to place in a board's work
- Response
 - IFAC will develop template to provide this information for board members and their TAs

Board member duties

- Recommendation #6
 - TAs should be advisory and support only
- Rationale
 - Board members are selected based on their personal abilities to contribute to standard-setting
 - TAs' participation/influence should not approach that of board members
- Response
 - Chairs have generally implemented this already
 - PIOB might observe whether TA input goes beyond advice and support

Board member duties

- Recommendation #7
 - TA's backgrounds and rights and responsibilities should be on the website
 - If TA is significant to a task force or other board work
- Rationale
 - Similar to rationale for recommendation #5
- Response
 - Information will be provided

Board member duties

- Recommendation #8
 - Develop process for identifying issues raised by those who represent the public interest
- Rationale
 - Enable those issues to receive adequate attention in board papers and discussions
- Response
 - Such issues currently receive significant attention
 - Need dialogue to better understand

Board member duties

- Recommendation #9
 - Discontinue proxy voting or limit to truly exceptional situations
- Rationale
 - Board members should carry out the voting aspect of the board's deliberative work themselves
 - Personal ability to contribute to standard-setting is compromised by proxy voting
- Response
 - Will be considered by IFAC board of directors
 - Terms of reference to be amended as necessary

Board feedback to constituents

- Recommendation #10
 - Emphasize quality and public interest rationale rather than number of respondents
- Rationale
 - Merits and public interest perspective of an argument carry greater weight than frequency
- Response
 - Process already focuses on quality, not quantity
 - Explore with MG ways to better demonstrate this

Board feedback to constituents

- Recommendation #11
 - Provide summary of tentative decisions on website as project progresses
- Rationale
 - Provides better opportunity for constituents to identify concerns along the way and react timely
- Response
 - Current processes provide such a summary
 - Need dialogue to determine what else should be done

Board feedback to constituents

- Recommendation #12
 - Provide direct feedback to MG member whose input is not taken up in manner recommended
- Rationale
 - Called for by IFAC Reforms
 - MG members have public interest roles
- Response
 - Will work with the MG members to develop an appropriate process