



Public Interest Oversight Board

10 Years of Public Interest Oversight

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This is the tenth public report published by the Public Interest Oversight Board (PIOB). In other words, it is an appropriate time to look backward at our accomplishments and forward to our plans for the future.

Over these 10 years, the PIOB has increasingly succeeded in having its voice heard in the area of standard setting for accountants. The PIOB speaks up where it sees that a proposal or activity does not adequately reflect the public interest. As part of the historical compromise reached after the Enron debacle, this oversight will ensure that the standards for accountants will continue to be developed by standard-setting boards embedded in the International Federation of Accountants (IFAC). In addition, the PIOB will conduct general oversight aimed at verifying that the standards that are developed reflect the public interest, not just the interest of the profession, thereby strengthening public confidence in financial statements.

The outcome of this exercise is greater public confidence that financial statements are audited according to well-established principles and procedures. The current International Standards for Auditing, or ISAs, have been adopted, after the Clarity project, in their original version or with some adaptations in more than 100 jurisdictions and are being used as a source of inspiration in many more. This success is due to the technical quality of the standards, but also to the balance that has been achieved between the interests of the accounting profession and those of the public.

In order to gain public confidence in the standard-setting process, many prerequisites should be met. The procedures for preparing future standards should be open and transparent, with all interested parties entitled to formulate their views and receiving adequate responses to the arguments put forward. The standard-setting bodies should be well balanced, not reflecting the positions or interests of any one party, and their standards should be based on the insights of all those directly affected by the outcomes of the standard-setting process, including the audit profession, preparers, users, and regulators. The latter objective is related to the composition of the standard-setting boards. At present, nine members of the standard-setting boards are partners or employees of audit firms (practitioners), while the other nine members (non-practitioners and public members) represent stakeholders other than audit firms. This composition reflects the need to balance interests to ensure that those from the profession do not dominate the discussion, which would undermine the credibility of the standards developed.

A third element in the building of public confidence consists of ensuring that the oversight body—in this case, the PIOB—is not a tributary to the organization it oversees. Although the PIOB is an independent organization, put in place by the international financial institutions acting under the aegis of the Monitoring Group, it is financed largely by IFAC. This situation poses a threat—at least in appearance—to its independence. For the last few years, the dependence on IFAC financing has been reduced to about 50%, and the objective is to reduce IFAC's share even further. This objective has been more elusive than initially thought, largely due to the effects of the global financial crisis.

Much work remains to be done in 2015, and the PIOB will remain a vital part of the oversight of standard setting for accountants.

I wish to welcome Maria Helena Pettersson, Michael Holm, Chuck Horstmann, Jules Muis, and Karel Van Hulle, who have joined the PIOB board this year.

Eddy Wymeersch
PIOB Chairman



The Public Interest Oversight Board (PIOB) became 10 years old in 2015. All of those who have contributed to the process of strengthening international standard setting in the field of audit, ethics, and education in the last 10 years can stand very proud.

Since the inception of the PIOB in the early 2000s, unprecedented changes have taken place in the global audit framework. The audit profession has evolved in this short period of time from a self-regulated to an externally regulated and supervised activity in many countries. The rationale behind this regulation is investor protection and market integrity: audit failures can have very harmful effects, including loss of confidence in the quality of information, financial instability, and loss of wealth.

Changes have taken place in two main areas, compelled by a growing perception that audits as currently conducted and communicated fall short of providing investors and users of financial statements with valuable insights into the audited company. First, changes in international standard setting have taken place through the implementation and deepening of the 2003 IFAC reforms; this process is producing a standard-setting system that is supported by the profession and based on increasingly independent standard-setting boards (SSBs) that deliver high-quality standards responsive to the public interest. Second, most jurisdictions have created audit oversight bodies that perform quality assurance inspections on audit firms. The last decade has thus witnessed substantial progress in constructing a global system in which national jurisdictions adopt and enforce high-quality audit standards that are developed internationally.

The early days of the PIOB in 2005 and 2006 saw the strengthening of public interest oversight processes and standard-setting structures in line with the initial 2003 IFAC reforms. Oversight of the Clarity project imposed intense demands on a very young board. Just as the Clarity project was finalized in 2008, the global financial crisis hit. The response to the crisis, articulated around the PIOB self-assessment and the Monitoring Group's (MG)¹ review of the 2003 IFAC reforms, materialized in the first public consultation carried out by the PIOB. As a result, the PIOB refined and implemented its oversight methodology in 2011, suggested or implemented measures to enhance

its own independence and that of the SSBs, including diversifying its own budgetary sources, and increased the number of staff. All of these initiatives continued to take place as the initial group of board members and the chair came to the end of their mandate and new board members and a new chair were appointed.

In order to contextualize the evolution of the PIOB, it is important to emphasize the importance of international standards: financial regulation generally rests in the hands of national authorities. However, adopting an international set of standards implies the voluntary acceptance by national regulators of shared international rules. Agreements on international standards are rare. The main examples are the Basel Accords, International Financial Reporting Standards, International Standards on Auditing, IAIS's Insurance Core Principles, and IOSCO's Principles. The PIOB is aware of its responsibility to help to preserve and improve this common framework. Most national jurisdictions have an interest in adopting audit standards that are globally recognized, but are only willing to do so to the extent that these are of high quality and fully responsive to the public interest. This is why oversight of the structures and processes underpinning the development of international standards is so important, including analysis of the responsiveness of outcomes to the public interest.

Developing high-quality standards that are responsive to the public interest is one component of a successful global framework, but adoption, implementation, and enforcement are equally important. All of these tasks are linked and, despite the progress achieved over the last 10 years, challenges remain. Specifically, coordination between these different functions will be critical for the global audit framework to produce higher-quality audits in the future: for instance, adoption by national jurisdictions will be facilitated by the extent to which international standards continue to be developed in the public interest; implementation can be facilitated by monitoring compliance, specifically through internal and external inspection of audits and enforcement measures; and standard setting will benefit from the lessons learned from the implementation of standards, quality assurance systems, and the findings of inspections. The profession

(1) The Basel Committee on Banking Supervision (BCBS), the European Commission (EC), the International Organization of Securities Commissions (IOSCO), the International Association of Insurance Supervisors (IAIS), the World Bank (WB), the Financial Stability Board (FSB), and the International Forum of Independent Audit Regulators (IFIAR).

will need to continue to play a leading role in facing these challenges: not only does IFAC require its member bodies to support the adoption and implementation of international standards, but global audit networks, through the Forum of Firms, also voluntarily adopt the common standards that serve as reference for evaluating the quality of audits.

A challenge for the overall structure in the future is to develop processes to ensure that the lessons acquired from audit inspections find their way into standard setting. International standard setting will need to respond to the deficiencies identified by national audit oversight bodies that are related to standards.

Let us turn our attention to the two main changes that have marked the evolution of the PIOB in its first 10 years of existence.

CHANGES IN STANDARD SETTING (2003–14)

During this period, standard setting in the field of audit, ethics, and education standards has evolved.

The IFAC reforms initiated in 2003 were based on the idea that the audit profession would continue to be involved in the setting of professional standards, subject to independent public interest oversight by the PIOB and monitoring by the Monitoring Group. The PIOB was created by the MG in 2005 with the mandate to oversee standard setting by the International Auditing and Assurance Standards Board (IAASB), International Ethics Standards Board for Accountants (IESBA), International Accounting Education Standards Board (IAESB), and the Compliance Advisory Panel (CAP) as well as the nominations processes of these boards and the CAP.

Since then, under independent oversight, the composition of SSBs has evolved to include 50% non-practitioners, including a number of public members; the structures of the Consultative Advisory Groups (CAGs) have been created or strengthened to bring stakeholders' representation into standard setting; processes have been developed to ensure that stakeholders are consulted and that their input is adequately considered by the SSBs; independent chairs have

been appointed to the IAASB and IESBA; nominations to the SSBs have been opened to the general public; and the PIOB has continued to strengthen its oversight to analyze more closely the responsiveness of the standards to the public interest. While further progress still needs to be made—especially regarding the role of the profession in the SSBs, the independence of the nominations process to the SSBs, and investor representation in the CAGs—much progress has been achieved thus far.

Under these new conditions, all International Standards on Auditing (ISAs) were revised or redrafted and reissued under the Clarity project, which started in 2005 and was completed in 2008. The clarified ISAs were ready to be used when the global financial crisis hit, but, since then, the PIOB, the SSBs and international audit regulatory authorities have responded to the demands of users of financial statements by (a) encouraging revisions of international standards on audit, assurance, ethics, and education, (b) further strengthening oversight of the work programs of the SSBs and of the standards under development, and (c) forging a new architecture for coordinating between national audit oversight bodies. Let us look at these in turn.

Regarding the **revision of international standards** on audit, assurance, ethics, and education, the development of standards will continue to pose challenges for the IAASB, IESBA, and IAESB, respectively. While there are different dimensions to the global financial crisis, the absence of alarm signals by the profession before the crisis raises the question of whether the audit profession is delivering what investors and other users of financial statements expect and whether auditors could make a greater contribution to detecting and communicating risks. Stakeholders have raised the following questions as needing to be addressed: Is the audit as conducted today of value to investors or to the audited company? Is mandatory audit a compliance exercise? Should audits after the global financial crisis be limited to giving assurance about the compliance of the financial statements with accounting standards? Can standard setting help to steer the profession to deliver what investors and other users of financial statements expect?

The new auditor's report requires auditors to offer more and better information. The most significant development is that, for listed entities, it will require disclosure and

description of key audit matters (KAM)—those matters that, in the auditor’s professional judgment, are of most significance in the audit. The inclusion of KAM should increase the value of the auditor’s report to users. These new requirements mean that the profession is responsible for ensuring that implementation of the new report enhances transparency and creates value for the investor.

The PIOB approved the full suite of standards affected by the auditor’s report project, including ISA 570, Going Concern. The PIOB expressed its disappointment to the IAASB over the final outcome regarding going concern, which in the PIOB’s view, did not fully meet the public interest. Initially, the IAASB proposed requiring auditors to provide in their audit reports two explicit statements addressing the appropriateness of management’s use of the going concern basis of accounting and whether a material uncertainty that may cast significant doubt on the entity’s ability to continue as a going concern had been identified, but this requirement was dropped after extensive consultation. The PIOB thinks that such a requirement would better meet the demands of investors and users for early warnings and that application of the standard as approved will not lead to the desired output by auditors. This is why, recognizing the progress made by the IAASB regarding KAM, the PIOB encouraged the IAASB to further liaise with the IASB to work together to ensure that a holistic approach is taken to going concern that meets the expectations of stakeholders and the general public. The bottom line is that the PIOB believes that it would be in the public interest for the auditor’s report to include an explicit assessment of the accounting assumptions that management uses to prepare financial statements. Nonetheless, the suite of enhanced standards is a critical development in auditing globally, and their timely and proper application will provide important public interest benefits.

The Code of Ethics for Professional Accountants is critical for professional practice. Requirements with respect to auditor independence—mandatory rotation of audit firms, blacklisted non-assurance services, and billing thresholds—have become more rigorous in Europe and could be discussed by the IESBA. A draft amendment to the IESBA Code of Ethics (NOCLAR) is currently the focus of discussion to determine, among other issues, how the auditor will discharge the ethical obligation, over and above

the legal obligation in each jurisdiction, to seek correction and report, in certain situations, suspicions of unlawful acts committed by the client not only to those charged with governance but also to external authorities.

The IESBA has already embarked on the ambitious project of restructuring the Code of Ethics and reviewing its approach to threats and safeguards.

Finally, all eight International Education Standards (IESs) have recently been reissued by the IAESB under PIOB oversight. The IAESB will now need to consider the demand for developing any new education standards and support the adoption and implementation of the revised IESs, which take effect during 2015 and 2016.

With regard to **strengthening oversight of the work programs of the SSBs and of the standards under development**, the PIOB developed a new oversight methodology in 2010 based on risk assessment; it has enhanced the transparency and disclosure of its decisions and oversight processes through a more active communications policy; it has developed a database to monitor comments from international regulatory bodies and their treatment by the SSBs; it has enhanced its outreach to stakeholders in an effort to understand their concerns better; it is increasingly looking at the outcomes of standards and whether they meet the public interest; and it has continued to suggest reform initiatives to strengthen the independence of the SSBs and to facilitate wider stakeholder representation in the nominations processes to the SSBs.

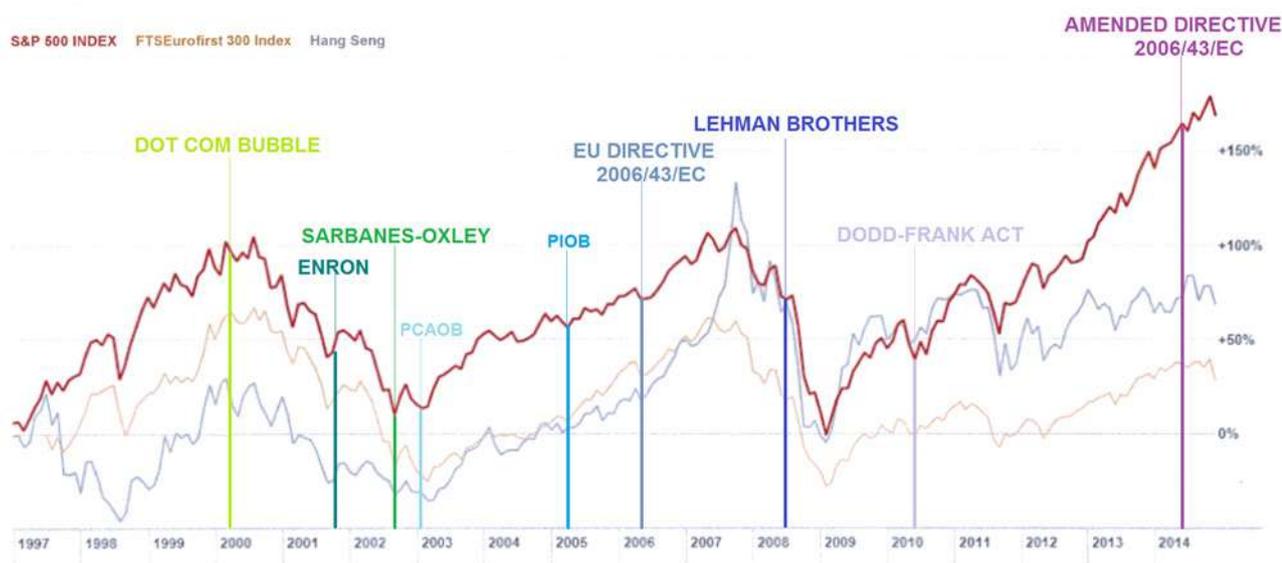
Finally, the **forging of international coordination of audit oversight bodies** takes place at two levels—global and European. At the global level, the International Forum of Independent Audit Regulators (IFIAR), created in 2005 and bringing together 52 independent audit regulators, is developing a set of basic principles to promote inspection programs and share results and methodologies. It recently issued the results of its third survey on inspections carried out by its members. The European Audit Inspection Group (EAIG) is a European group focusing on inspection methodologies and results. It includes the 28 European Union (EU) member states as well as Norway and Switzerland. The EAIG actively contributes to standards development through the submission of comment letters to exposure drafts.

CHANGES IN REGULATION (2002–14)

As IFAC reforms have unfolded and deepened, regulatory change has also taken place in most domestic jurisdictions.

The creation of audit oversight bodies with the objective of enforcing implementation of standards is a recent development that started after the Enron collapse (2001) with creation of the Public Company Accounting Oversight Board (PCAOB) in 2002. Today there are more than 50 national audit oversight bodies worldwide with the power to carry out inspections. Most have been created in the past 10 years. Chart 1 shows the regulatory response in audit following the periods of global stock market instability in 2000 and 2008.

Chart 1 – Regulatory response in audit during periods of market instability, 1997–2014



The Sarbanes-Oxley Act changed the audit framework in the United States, which had hitherto been a self-regulated profession through standards issued by the American Institute of Certified Public Accountants (AICPA). The PCAOB, which is independent of the profession, was created to set standards for listed company audits and to conduct inspections of audits of listed companies. Under this model, the role of the profession in the development of standards shifted to that of stakeholder, that is, it can provide input as the standards are developed, but it is not involved in drafting the standards and does not have any decision-making capacity to approve the standards.

Other countries have taken similar measures. The United Kingdom revised its legislation in 2003 and set up the Professional Oversight Board (POB) in 2004. In 2006, the European Union published Directive 2006/43, which, among other measures, required the establishment of public bodies to ensure that audit firms are subject to a system of

quality assurance in all member states and have the power to carry out inspections and impose penalties.

Internationally, the regulatory response was led by the eventual members of the Monitoring Group working closely with IFAC. Under the agreed new model, IFAC retained the capacity to manage the nominations processes for membership in the IAASB, IESBA, and IAESB, but these processes, as well as those governing the development of standards by the SSBs are subject to oversight of the PIQB, created in 2005.

These two evolutions—the regulatory change and the implementation of the IFAC reforms—have produced a system of standard setting in the field of audit, assurance, ethics, and education in which the SSBs develop standards that are intended to be global, but that need to be adopted and enforced by national jurisdictions to be so. ISAs, for instance, have a high rate of implementation, with more

than 100 countries having adopted them.² The new Audit Directive 2014/56 provides for the possibility that the European Union adopts ISAs for all statutory audits.

PROSPECTS AHEAD

The process of change that has taken place over the last decade continues, and the PIOB looks to the future with the confidence that it will be able to contribute to addressing the challenges that face international standard setting in the field of audit, assurance, ethics, and education.

Standard setting will benefit greatly from taking into account the results of newly established external quality assurance systems. Some of these results have started to appear and have motivated the current debate on audit quality. For instance, professional skepticism needs to be strengthened, audits of the valuation of financial instruments require skills that may need to be expanded, and issues relating to auditor independence require attention. SSBs should review these results carefully and do all that they can to develop or modify standards to address these issues when appropriate.

There are various ways to channel the input from inspections into standard setting and to have the SSBs consider whether standards should be amended or developed to respond to the findings of inspections. Most³ international organizations that are members of the MG are permanent members of the IAASB and IESBA CAGs, which are a key mechanism in place to provide public interest input into standard setting. Members of EAIG and IFIAR are providing comments to exposure drafts of standards under development. Additionally, they could consider being involved in the nomination of public members to the SSBs in order to strengthen the voices representing the public interest. The PIOB has devoted special attention to ensuring the responsiveness of SSBs to international regulatory input

(2) Either they have adopted the ISAs or have committed to using them in the near future.

(3) BCBS, EC, IOSCO, IAIS, and the WB.

(4) <http://www.ipiob.org/index.php/news-details>.

and intends to continue coordinating closely with IOSCO, IFIAR, and EAIG in this regard.

One of the conclusions⁴ following the public interest seminar held by the PIOB in September 2014 was that investors lacked adequate representation on the CAGs. This deficiency in the current articulation of stakeholders' views needs to be addressed. To the extent that stakeholders' views are not represented in standard-setting processes, due process will be less likely to produce outcomes in the public interest. The PIOB will continue to elicit views that are not currently represented in the CAGs.

It is likely that public interest concerns regarding audit standards may also be affected by accounting standards. A case in point is the discussion on going concern (see chapter 2). Coordination of the IAASB with the IASB will continue to be important regarding the auditability of financial statements and the alignment of required disclosures by management in accordance with accounting standards and by auditors in accordance with auditing standards. In addition, SSBs will need to continue reacting to challenges facing the profession, such as the implications of new technologies for analyzing large amounts of data in the conduct of audits, the requirements of audits of financial institutions in terms of both the skills of auditors and the need for disclosure, the need for integrated reporting, the growing role of audit committees, and the implications of independence requirements.

Standard setting in the public interest will improve if SSBs continue to maintain the support of the profession to ensure the high quality of the standards, but also if the diversity of stakeholders on the SSBs in terms of outlooks, backgrounds, and skills is strengthened. Measures discussed with the MG and IFAC include clearly defining public members as persons independent from the profession, strengthening the nominations process for public members, remunerating public members with a stipend, reconsidering the number of public members, especially on the IESBA, and enhancing the independence of the nominations process to SSBs under PIOB oversight by appointing an independent chair to the Nominating Committee (NC).

The PIOB will devote special attention to the IAESB in 2015. The education of auditors and professional accountants is critical to provide high-quality audits and professional services in the public interest. A robust professional education helps to raise awareness about the role of auditors and professional accountants in safeguarding the public interest.

IFAC member bodies grouped in the Global Accounting Alliance decided in 2014 to withdraw support for the IAESB, believing that its standard-setting activities ended with the issuance of IES 8. The PIOB has requested IFAC that a credible plan is put forward to ensure that the education of accountants, on whose competence and skills the quality of an audit ultimately depends, continues to benefit from stakeholders' input and public interest oversight.

The PIOB approved the IAESB's 2014-2016 strategy and work plan, which is focused on supporting adoption and implementation of the revised IESs and includes the possibility of issuing new standards. It has also suggested certain areas that may merit consideration by the IAESB, such as improving auditing skills in financial institutions and the implications for integrated reporting. The PIOB looks forward to seeing IAESB's proposals for identifying and, as appropriate, developing new IESs or substantive amendments to existing IESs. The future role of the IAESB, the resources required, and the extent to which implementation of IESs may require PIOB oversight also need to be agreed.

OVERVIEW

This chapter reviews the oversight activities conducted by the PIOB and provides comparative statistics of these activities. A separate section describes the main public interest recommendations that the PIOB made to the SSBs, CAGs, the CAP, and the NC during 2014.

In 2014, oversight plans were developed for each SSB and CAG, CAP, and NC and published on the PIOB website (<http://www.ipiob.org/index.php/piob-oversight/standard-setting-process>).

The IESBA was assigned high oversight intensity because higher risks were identified with this board and its projects, as reflected in the IESBA section below. Oversight plans included a combination of direct observations (DOs) of SSBs, CAGs, and CAP meetings and remote observations (ROs), and anticipated the type of PIOB independent analysis (extended review or limited review) to be performed for the standards or strategies submitted for PIOB approval.

Actual DOs and ROs of meetings were close to the plan, with some teleconferences added by some SSBs or CAGs and observed by the PIOB. The Oversight Assurance Model (OAM) determined for each SSB or CAG, the CAP, and the NC at the beginning of the year was appropriate, and no change was required. Table 1 provides detailed statistics of the oversight activities planned and performed in 2014 and compares them with the oversight activities carried out in 2013.

Table 1 – 2014 Actual versus planned oversight activities and comparison with 2013 actuals

| | Total SSBs, CAGs, CAP and NC | | | | | |
|-----------|------------------------------|-------------|--------------------------|-------------|--------------------------|-------------|
| | 2014 oversight plan | | 2014 actual observations | | 2013 actual observations | |
| | Nr | % | Nr | % | Nr | % |
| Meetings | 24 | | 24 | | 21 | |
| of which: | | | | | | |
| DO | 19 | 79% | 20 | 83% | 17 | 81% |
| RO | 5 | 21% | 4 | 17% | 4 | 19% |
| M&R | 0 | 0% | 0 | 0% | 0 | 0% |
| TC | 1 | 100% | 7 | 100% | 5 | 100% |

Key: **DO**: direct observation; **RO**: remote observation; **M&R**: monitoring and reporting; **TC**: teleconference.

Table 1 Cont. – 2014 Actual versus planned oversight activities and comparison with 2013 actuals

| | IAASB | | | | IAASB CAG | | | | IESBA | | | | IESBA CAG | | | |
|--------------------|---------------------|------|--------------------------|------|---------------------|------|--------------------------|------|---------------------|------|--------------------------|------|---------------------|------|--------------------------|------|
| | 2014 oversight plan | | 2014 actual observations | | 2014 oversight plan | | 2014 actual observations | | 2014 oversight plan | | 2014 actual observations | | 2014 oversight plan | | 2014 actual observations | |
| | Nr | % | Nr | % |
| Meetings of which: | 4 | | 4 | | 2 | | 2 | | 3 | | 3 | | 2 | | 2 | |
| DO | 4 | 100% | 4 | 100% | 2 | 100% | 2 | 100% | 3 | 100% | 3 | 100% | 2 | 100% | 2 | 100% |
| RO | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| M&R | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| TC | 0 | n.a. | 2 | 100% | 0 | n.a. | 1 | 100% | 0 | n.a. | 1 | 100% | 0 | n.a. | 1 | 100% |

| | IAESB | | | | IAESB CAG | | | | CAP | | | | NC | | | |
|--------------------|---------------------|------|--------------------------|------|---------------------|------|--------------------------|------|---------------------|------|--------------------------|------|---------------------|------|--------------------------|------|
| | 2014 oversight plan | | 2014 actual observations | | 2014 oversight plan | | 2014 actual observations | | 2014 oversight plan | | 2014 actual observations | | 2014 oversight plan | | 2014 actual observations | |
| | Nr | % | Nr | % |
| Meetings of which: | 3 | | 3 | | 2 | | 2 | | 4 | | 3 | | 4 | | 5 | |
| DO | 1 | 33% | 1 | 33% | 1 | 50% | 1 | 50% | 2 | 50% | 2 | 67% | 4 | 100% | 5 | 100% |
| RO | 2 | 67% | 2 | 67% | 1 | 50% | 1 | 50% | 2 | 50% | 1 | 33% | 0 | 0% | 0 | 0% |
| M&R | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| TC | 0 | n.a. | 0 | n.a. | 0 | n.a. | 1 | 100% | 0 | n.a. | 0 | n.a. | 1 | 100% | 1 | 100% |

PIOB staff provided written briefing memos to support the work of PIOB observers at SSB, CAG, and CAP meetings. These memos analyzed the projects and highlighted the concerns raised in comment letters regarding due process and other public interest issues and recommendations made by previous PIOB observers. Special attention was paid to the consideration by the SSBs of the views provided by CAG representatives and comment letters.

One IAASB project (on auditor reporting, comprising six new and revised ISAs and related conforming amendments) and ISA 720, “The Auditor’s Responsibilities Relating to Other Information”, one education standard, and three strategy and work plans were finalized during 2014, but several projects were furthered by the IAASB, the IESBA, and the IAESB.

The total number of SSB, CAG, CAP, and NC meetings held in 2014 was higher than in 2013, including teleconferences. DOs in 2014 constituted 83% of the total number of meetings, against 79% contemplated in the oversight plans. While the number of ROs conducted in 2014 was similar to the previous year, the number of ROs was greater for CAP, IAESB, and IAESB CAG meetings.

DO continued to be the preferred PIOB oversight technique, as it allows direct and timely interaction with members of the SSBs, task forces, and CAGs, minimizing the chance that a standard or strategy will not be approved at the end of the standard-setting process.

Oversight procedures performed by staff relied on a variety of inputs: observation memos of meetings; reports by SSB, CAG, and CAP chairs; reviews of meeting documents and minutes; exposure drafts of standards and strategies; comment letters to exposure drafts from stakeholders; task force issues papers; basis-for-conclusions documents; and, whenever necessary, teleconferences with SSB and CAG chairs or technical staff. The combination of these sources of information allowed the PIOB to exercise thorough oversight.

In 2014 the PIOB implemented the procedure agreed with the MG in 2013, documenting the treatment of recommendations made by members of the MG in comment letters submitted to exposure drafts. A database with the details of this oversight and the final disposition by the particular SSB was shared with the MG. An identical monitoring system was applied to other stakeholders, such as the comments of EAIG and IFIAR members to standards projects and strategies.

STANDARD-SETTING BOARDS, CONSULTATIVE ADVISORY GROUPS, AND THE COMPLIANCE ADVISORY PANEL

IAASB and the IAASB CAG⁵

During 2014, the PIOB directly observed all of the meetings held by the IAASB and the IAASB CAG as well as the teleconferences scheduled by these bodies.

In September 2014, the IAASB’s project to revise the auditor’s report was finalized. This project demanded several years of development and public consultation, liaison with other standard setters, and most of the board’s resources. The PIOB concluded that both the IAASB and the IAASB CAG continued to perform at a high level, as in previous years, observing due process and awareness of the public interest.

The auditor’s report project introduced significant enhancements to six ISAs: ISA 700, Forming an Opinion and Reporting on Financial Statements; ISA 570, Going Concern; ISA 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report; ISA 705, Modifications to the Opinion in the Independent Auditor’s Report; ISA 260, Communication with Those Charged with Governance; and the development of ISA 701, Communicating Key Audit Matters in the Independent Auditor’s Report.

The improvements introduced to the auditor’s report included, in addition to KAM, a new statement related to the auditor’s independence from the audited entity and the auditor’s compliance with relevant ethical requirements; the disclosure of the name of the audit engagement partner; and further detailed descriptions of both the auditor’s and management’s responsibilities, including with regard to going concern. The new auditor’s report, which will come into force in December 2016, is expected to have greater communicative value and provide relevant information to users.

The PIOB approved the full suite of standards, including ISA 570, but expressed disappointment to the IAASB about the final outcome regarding going concern, which it does not think fully meets the public interest.

(5) <http://www.iaasb.org>

In 2014, the IAASB also finalized its new 2015–2019 strategy and its 2015–2016 work plan. The priorities for the next two years will be to revise ISA 600, *Special Considerations—Audits of Group Financial Statements*, to revise the standards that deal with quality control, and to undertake a new project on special considerations in the audits of financial institutions and insurers. The importance of these projects was confirmed in comment letters submitted during the exposure period for the strategy and work plan, including the letters sent by four members of the Monitoring Group, which stressed the need to prioritize these projects in the new work plan. In particular, the upcoming revision of the quality control standards (both at the engagement level and the firm level) is expected to enhance the quality of audits. The new plan also includes work in relation to other areas: professional skepticism, risk assessments (ISA 315), data analytics (“big data”), and integrated reporting.

The PIOB approved the due-process and public interest responsiveness of the new strategy and work plan.

In December 2014, the IAASB approved ISA 720, *The Auditor’s Responsibilities Relating to Other Information*, which will be submitted for PIOB approval in 2015. The IAASB further advanced work on two other projects that it expects to finalize in 2015: the auditor’s responsibilities with respect to disclosures in financial statements and changes to be introduced to the auditor’s report issued according to ISA 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*; ISA 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of Financial Statements*; and ISA 810, *Engagements to Report on Summary Financial Statements*.

IESBA and the IESBA CAG⁶

The International Ethics Standards Board for Accountants had a challenging year in 2014. The untimely passing away of its chair, Mr. Jörgen Holmquist, required a search for a new independent chair. Professor Stavros Thomadakis was nominated in September and approved by the PIOB, commencing in January 2015. In the transition period, the IESBA deputy chair, Mr. Wui San Kwok, led the IESBA.

The IESBA approved its 2014–2018 strategy and work plan and the exposure drafts for three projects—non-assurance services (NAS), long association (LA), and part C of the Code of Ethics (phase I)—and the consultation paper for the structure of the Code of Ethics project.

During the year, the board held three roundtables for the NOCLAR project, in Asia, Europe, and North America. The feedback collected allowed the board to propose a revised framework, which was discussed at the end of the year and will lead to a new exposure draft, possibly during the second quarter of 2015.

Following input from some regulators, the IESBA added work related to safeguards to its 2014–18 strategy and work plan and started its discussion at the end of the year.

During 2014, the PIOB observed all IESBA and CAG meetings, except for two CAG teleconferences and two roundtables.

Public interest issues with IESBA projects

Several projects have implications for the public interest, and some stakeholders have expressed concerns. The PIOB looks forward to discussing and resolving these issues within the IESBA deliberations in 2015.

On the NOCLAR project, PIOB observers have raised the following concerns: (a) the scope of the project is too broad and may not be workable; (b) the code should set up a duty to report a NOCLAR rather than a right. When there is no legal requirement to report, but the legal framework assures the auditor legal protection in his or her own jurisdiction, the code should strive for the highest requirement; (c) the code should set up a requirement to document non-compliance. While a duty to report has not been established in the latest version of the framework, progress has been achieved: the proposed provisions lay out a process in which the auditor is faced with the responsibility to take the decision on whether or not to report a NOCLAR to an external authority and to document this decision

(6) <http://www.ethicsboard.org>

(obligation to document only for auditors, while it stays as an encouragement for all other categories of professional accountants). The scope has been aligned with ISA 250.

Stakeholders' concerns regarding the LA project include the following: the project deals with the audit partner's rotation, but mandatory rotation of audit firms has not been discussed, and cooling-off provisions for key audit partners are different depending on their role in the audit. Despite a five-year cooling-off period, engagement partners can be consulted by the company after two years, under certain circumstances.

On the NAS project, stakeholders have raised a number of concerns regarding the limited scope of this project,⁷ as it does not address significant issues related to auditor's independence. At its March 2015 meeting, when NAS was submitted for approval, the PIOB concluded that the Changes to the Code of Ethics for Professional Accountants Related to Certain Provisions Addressing Non-Assurance Services for Audit and Assurance Clients was approved by the IESBA in accordance with due process and with proper regard for the public interest. However, noting the limited scope of the project, the PIOB urged the board to revisit issues regarding auditor's independence from a broader perspective, such as prohibited NAS, related fee issues, and the role of those charged with governance in approving NAS. This should be completed within the timeframe of the 2014–2018 strategy and work plan.

All of these issues could have an impact on the credibility of the code, its adoption, and its recognition as an international tool or global benchmark for professional ethics.

In 2015, the terms of six members of the IESBA will come to an end, including some public members and task force chairs.

(7) The PIOB approved the IESBA 2014–2018 strategy and work plan, which included the scope of the NAS project, started in 2012. The scope of the project only deals with changes in certain provisions of the code related to emergency exception provisions pertaining to bookkeeping and to taxation services, clarification of management responsibilities, and routine and mechanical activities.

IAESB and the IAESB CAG⁸

Throughout 2014, the IAESB and the CAG performed their standard-setting and advisory roles. Their debates were thorough and paid due attention to the public interest. During the year, the PIOB directly observed one of three meetings held by the IAESB, and one meeting and one teleconference held by the IAESB CAG. All other meetings were observed remotely from the PIOB Secretariat.

In October 2014, the board approved IES 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements. This education standard sets the professional competence that professional accountants should develop and maintain when performing the role of engagement partner responsible for audits of financial statements. Specifically, IFAC member bodies should require professional accountants performing the role of engagement partner to develop and maintain professional competence by achieving learning outcomes in areas included in this IES: technical competence, professional skills, and professional values, ethics, and attitudes. As the career of an engagement partner progresses, practical experience becomes increasingly important. IES 8 also prescribes continuing professional development as the vehicle for accomplishing such development and maintenance.

IES 8 completed the IAESB's project to redraft and revise the entire suite of International Education Standards.

In June, the IAESB finalized its 2014–2016 strategy and work plan and approved the exposure draft of the revised Framework for International Education Standards for Professional Accountants, which includes new definitions of "professional accountant" and "general education." The IAESB expects to finalize the framework in 2015. Under the new strategy and work plan, the IAESB plans to focus on developing principles and implementation guidance to support the new outcomes-based approach to the education of professional accountants under the revised IESs. The board has already started the learning outcomes project.

The PIOB approved both the revised IES 8 and the IAESB 2014–16 strategy and work plan.

(8) <http://www.iaesb.org>

Public interest issue with the IAESB

The uncertainty surrounding the future of the IAESB is a cause for concern. Following the Global Accounting Alliance's withdrawal of support, IFAC is yet to come up with a proposal concerning how the IAESB—or a smaller version of it—would operate to fulfill its 2014–2016 work plan and whether the CAG will be retained. IFAC is expected to consult the PIOB regarding its comprehensive plan for the functions exercised by the IAESB and its CAG prior to taking any decision. Any proposed decision of importance should be preceded by public consultation.

The PIOB believes that the IAESB continues to have a role to play in setting principles-based standards for the education of professional accountants and that it could have an impact on the education of professional accountants by supporting implementation of the existing IESs and developing new standards as required.

Compliance Advisory Panel⁹

The activity of the CAP in 2014 included advancing its Self-Assessment Tool and Reports (STAR) project, which should improve the ability of the CAP to monitor the level of actual adoption and implementation of international standards by IFAC member bodies and other national stakeholders, discussing the level of compliance with the Statement of Membership Obligations that will be required to qualify as an IFAC member, receiving action plans, and dealing with new applications for membership in IFAC.

The CAP was expected to draft a new strategy during 2014, but decided to keep the current strategy until December 2015. Preliminary discussions on the new strategy commenced in October 2014, with the aim to finalize the new strategy by mid-2015. The CAP intends to align this document with IFAC's own strategy.

During 2014, the PIOB directly observed two meetings of the CAP and remotely observed two others. The experience with remote observations of the CAP continues to be satisfactory.

⁽⁹⁾<http://www.ifac.org/about-ifac/membership/compliance-program/compliance-advisory-panel>.

Public interest issues related to the CAP

The PIOB looks forward to the CAP's consultation on its new strategy. The implications of the global appearance of audit oversight bodies for compliance will be important in shaping the CAP's activities in the future.

The capacity of the CAP to encourage adoption and implementation of international standards would benefit from receiving contributions from outside the profession. The PIOB maintains its recommendation to open up membership on the panel to organizations other than IFAC member bodies. The 2016 Call for Nominations does not include this suggestion.

The PIOB values the efforts of the CAP in monitoring compliance of individual IFAC member bodies with the Statement of Membership Obligations and will follow the progress made by the CAP with its STAR project in 2015. The outcome of this project will be that the CAP uses its own statistics and databases, with details from IFAC members and—ideally—from jurisdictions on the status of adoption and implementation of ISAs, the Code of Ethics, and the IESs and the reasons explaining such status.

Public Interest Oversight Board

PIOB meetings

As in previous years, in 2014 the PIOB held four quarterly meetings: in March, June, September, and December.

Regular communication with stakeholders (MG, IFAC leadership, and SSB and CAG chairs)

During 2014, the PIOB continued to meet with IFAC leadership and with SSB and CAG chairs at PIOB quarterly meetings. Meetings followed a rotation schedule to ensure that chairs report in person to the PIOB at least twice a year.

IFAC leadership¹⁰ reported and discussed with the PIOB the future of the IAESB and the IAESB CAG, the nominations process, the definition of public members, the composition of the IESBA, and the status of adoption and implementation of ISAs, the Code of Ethics, and IESs.

In addition, PIOB observers attended two IFAC board meetings and one IFAC council meeting; and the secretary general participated in one additional IFAC council webinar.

The September meeting of the PIOB was set to coincide with a meeting of the Monitoring Group and IFAC, partially attended by representatives from the IAASB and the IESBA. This meeting dealt with discussions on two current projects: the auditor’s report and NOCLAR. Issues related to PIOB funding were also discussed between the MG, the PIOB, and IFAC.

The PIOB chair and the secretary general also met with members of the MG in March 2014. At this meeting, the PIOB updated the MG on public interest issues, the status of the standards under development, and the PIOB procedure for monitoring MG members’ comment letters.

PIOB decisions

Table 2 summarizes the PIOB approvals during 2014.

Table 2 – PIOB approvals in 2014

| Standard, pronouncement, strategy, and work plan | Date of approval | SSB |
|---|------------------|-------|
| IAESB 2014–2016 strategy and work plan | June 2014 | IAESB |
| IESBA 2014–2018 strategy and work plan | September 2014 | IESBA |
| IAASB 2015–2019 strategy and 2015–2016 work plan | December 2014 | IAASB |
| Reporting on Audited Financial Statements – New and Revised Auditor Reporting Standards and Related Conforming Amendments, including <ul style="list-style-type: none"> - ISA 700 (Revised), Forming an Opinion and Reporting on Financial Statements - ISA 701, Communicating Key Matters in the Independent Auditor’s Report - ISA 705 (Revised), Modifications to the Opinion in the Independent Auditor’s Report - ISA 706 (Revised), Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report - ISA 570 (Revised), Going Concern - ISA 260 (Revised), Communication with Those Charged with Governance - Related conforming amendments | | IAASB |
| IES 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements | | IAESB |

(10) IFAC president, IFAC chief executive officer, IFAC executive director for professional relations, and chief financial officer.

PIOB observers' recommendations in 2014

During 2014, PIOB observers intervened to draw attention to aspects relevant to the public interest and offered recommendations to the SSBs, CAGs, the CAP, and the Nominating Committee intended to protect the public interest. The most significant ones are highlighted in table 3.

Table 3 – PIOB observers' recommendations in 2014

| Meeting or teleconference | Recommendation | SSB, CAG, CAP, NC reaction |
|---------------------------|--|--|
| IAASB | | |
| March 17–21 meeting | <p><u>SSBs discussions</u></p> <p>A lack of balance in the discussions was noted at the beginning of the week.</p> | The observer witnessed balanced discussions through the rest of the meeting. |
| IAASB CAG | | |
| March 11–12 meeting | <p><u>Auditor's report</u></p> <p>Failing to disclose the name of the audit engagement partner in the auditor's report is not in the public interest.</p> | The IAASB agreed to maintain the requirement to disclose the name of the engagement partner for audits of financial statements of listed entities. |
| September 8–9 meeting | <p><u>Auditor's report</u></p> <p>After the global financial crisis, users, investors, and regulators expect that the accounting standards and auditing standards would provide an early warning system in the public interest. They are unlikely to be impressed with the idea that the auditing standards cannot go as far as may be needed because the accounting standard setters have not done so.</p> <p>The circumstances when the auditor's report of listed entities would not disclose the name of the engagement partner should be exceptional, such as personal harm. Commercial interests of an entity are not an acceptable reason for not disclosing the name, from a public interest point of view.</p> | <p>The IAASB did not retain the two explicit conclusions on going concern that were proposed in the exposure draft.</p> <p>The IAASB explained the exemption in ISA 700 to establish that non-disclosure of the name is allowed in rare circumstances only, when such disclosure is reasonably expected to lead to a significant personal security threat. The standard also explicitly notes that a significant personal security threat does not include threats of legal liability or legal, regulatory, or professional sanctions.</p> |
| IESBA | | |
| April 29 teleconference | <p><u>Long association</u></p> <p>The board should take into account the public interest when considering the exception provisions allowing an engagement partner to perform certain activities during the cooling-off period. At times, the discussion on exceptions tends to focus on the convenience of the firms.</p> | The LA project is under discussion. |

| Meeting or teleconference | Recommendation | SSB, CAG, CAP, NC reaction |
|---------------------------|---|--|
| October 13–15 meeting | <p align="center"><u>Non-assurance services</u></p> <p>The board was urged to discuss whether it had missed the general concerns on NAS and the threats to independence created by allowing audit firms to offer NAS. Different jurisdictions are legislating on this issue, and failure to provide leadership by the IESBA may result in varying requirements in different parts of the world.</p> | NAS was approved at the IESBA January 2015 meeting. |
| IESBA CAG | | |
| September 9–10 meeting | <p align="center"><u>Non-compliance with laws and regulations</u></p> <p>The reporting by the task force on the conclusions from the roundtables was not balanced, and the interests of the profession seemed to outweigh the interests of investors and the public. A “lowest common denominator” approach should not be followed in global standard setting.</p> | <p>The outcome of the roundtables was later presented with more details on the input provided by the different groups of stakeholders represented.</p> <p>The NOCLAR project and the revised framework are under discussion.</p> |
| IAESB | | |
| April 9–11 meeting | <p align="center"><u>Non-authoritative IAESB pronouncements</u></p> <p>Only authoritative pronouncements should be subject to full due process. The PIOB should have the right to check the nature of a “non-authoritative” pronouncement to decide whether it has to be reclassified.</p> <p align="center"><u>IAESB 2014–2016 strategy and work plan</u></p> <p>The board should address skills requirements for audits of banks and financial institutions and, more generally, should include a project on accounting education for financial products.</p> | <p>The IAESB noted this.</p> <p>The IAESB’s new 2014–16 strategy and work plan provides that the board will consider the need for additional IESs.</p> |

| Meeting or teleconference | Recommendation | SSB, CAG, CAP, NC reaction |
|---|--|---|
| Nominating Committee | | |
| <p>April 3–4 meeting, June 2–3 meeting, and October 17 teleconference</p> | <p><u>Chair of the Nominating Committee</u> It is in the public interest to consider whether the IFAC president should chair the NC for nominations to SSBs under PIOB oversight.</p> <p><u>Definitions of public members and non-practitioner members</u> The definition of non-practitioners and public members needs to be sharper to establish two clearly separate categories, which is not currently the case. Public members should be independent from the profession and “preferably non-accountants.”</p> <p><u>CAP composition</u> Nominations to the CAP should be open beyond IFAC member bodies.</p> | <p>IFAC is considering the possibility of having an independent chair for the NC in these instances.</p> <p>The definition used in the 2016 Call for Nominations states that nominations of “non-accountants” are strongly encouraged. IFAC has noted this observation and is giving it consideration in conjunction with the dialogue with the MG noted on page 11.</p> <p>The Nominating Committee considered this observation in 2014 and concluded that oversight by the PIOB provided adequate external perspectives for the Compliance Program.</p> |
| <p>June 2–3 meeting and October 17 teleconference</p> | <p>The perception of some regulators that the standard-setting system is dominated by the profession needs to be addressed. The chair of the NC needs to be an advocate for the public interest.</p> | <p>IFAC has noted this observation and is giving it consideration in conjunction with the dialogue with the MG noted on page 11.</p> |
| <p>October 17 teleconference</p> | <p><u>Self-nominations to SSBs</u> It is important to increase the number of self-nominations and the use of IFAC’s Travel Support Program.</p> | <p>The Travel Support Program has been revised.</p> |
| CAP | | |
| <p>January 30–31 meeting</p> | <p><u>Interrelation between the CAP and SSBs</u> Intensive communication is needed between the CAP, CAP staff, and the SSBs regarding progress in the implementation of standards.</p> <p><u>Timelines of strategy and work plans</u> Resource allocations by IFAC to SSBs and the CAP should be endorsed by the PIOB. Strategy and work plan timelines should converge across SSBs and the CAP.</p> <p><u>Implementation of SSB standards</u> Implementation and enforcement are critical for audit quality. The CAP should focus on the adoption of standards, the monitoring of implementation, and the identification of follow-up actions.</p> | <p>The CAP took note of these recommendations.</p> |

Table 4 details the meetings directly observed by PIOB members and staff in 2014.

Table 4 – 2014 PIOB observations

| Month | Location | Entity | PIOB observer |
|-----------|------------------|------------------|---------------------------------|
| January | | | |
| 14 | Webinar | IFAC board | Gonzalo Ramos |
| 30–31 | Washington | CAP | Nic van der Ende |
| February | | | |
| 6–7 | Brussels | IAESB CAG | Eddy Wymeersch |
| 7 | Teleconference | IAASB | Julie Galbo |
| 25 | New York, online | IFAC council | Gonzalo Ramos |
| March | | | |
| 10 | New York | IESBA CAG | Chandu Bhavé |
| 11–12 | New York | IAASB CAG | Chandu Bhavé |
| 17–21 | New York | IAASB | Nic van der Ende |
| April | | | |
| 3–4 | New York | NC | Jane Diplock |
| 7–9 | Toronto | IESBA | Claudia Deodati |
| 9–11 | New York | IAESB | Eddy Wymeersch |
| 24–25 | New York | NC | Jane Diplock |
| 29 | Teleconference | IESBA | Chandu Bhavé* |
| 30 | Teleconference | IAESB CAG | Michael Holm |
| May | | | |
| 5–6 | Vienna | CAP | Nic van der Ende |
| June | | | |
| 2–3 | New York | NC | Jane Diplock |
| 5–6 | New York | IFAC board | Jane Diplock |
| 13 | Brussels | IESBA roundtable | Eddy Wymeersch* |
| 16–20 | New York | IAASB | Michael Holm* |
| July | | | |
| 7–9 | New York | IESBA | Eddy Wymeersch |
| 10 | Washington | IESBA roundtable | Chuck Horstmann, Eddy Wymeersch |
| 10–11 | New York | NC | Jane Diplock |
| August | | | |
| 8 | Teleconference | CAP | Julie Galbo |
| 8 | Webinar | IFAC board | Gonzalo Ramos |
| September | | | |
| 1–2 | New York | NC | Jane Diplock |
| 4–5 | New York | IFAC board | Jane Diplock |
| 8–9 | New York | IAASB CAG | Jane Diplock* |
| 9–10 | New York | IESBA CAG | Jane Diplock* |
| 15–19 | New York | IAASB | Karel Van Hulle |
| 20–22 | Teleconference | IAESB CAG | Susana Novoa |

| | | | |
|----------|----------------|--------------|-------------------------|
| October | | | |
| 13–15 | New York | IESBA | Chandu Bhavé |
| 17 | Teleconference | NC | Maria Helena Pettersson |
| 28 | Teleconference | IAASB | Karel Van Hulle |
| 29–31 | Teleconference | IAESB | Susana Novoa |
| November | | | |
| 7 | Rome | IFAC council | Karel Van Hulle |
| 18 | Teleconference | IESBA CAG | Eddy Wymeersch |
| 24 | Teleconference | IAASB CAG | Chuck Horstmann |
| December | | | |
| 1–5 | New York | IAASB | Chandu Bhavé |

* These meetings were also attended by the PIOB director of oversight or the oversight advisor.

Nominating Committee

The NC discharged its role in the nominations process to fill the openings in the SSBs and the CAP. In 2014 PIOB observers commended the Nominating Committee as being fair and balanced. They did not raise concerns with the nominations process or candidates. There were more high-quality candidates than the number of vacancies available, with the exception of one vacancy for which only one candidate was available (IAESB chair).

In October 2014, the PIOB reviewed the draft 2016 Call for Nominations. The only concern in addition to the restriction of nominations to the CAP to IFAC members was the definition, nomination, and treatment of public members.

Nominations to SSBs, CAP, and Nominating Committee

In 2014, the PIOB approved the appointments of Professor Stavros Thomadakis as the new IESBA chair, and Mr. Chris Austin as the new IAESB chair.

The PIOB also approved several appointments and reappointments to the IAASB, the IESBA, the IAESB, and the CAP, including deputy chairs, and reappointments to the Nominating Committee.

The PIOB approved one reclassification from non-practitioner to public member in the IAASB, in compliance with the current definition of public member, which is under discussion.

These approvals were supported by the PIOB's direct observation of all NC meetings and all teleconferences except one held during 2014.

The PIOB assigned one PIOB member as observer to the Nominating Committee. This member followed the full nominations cycle. The same criterion will be applied in 2015.

Nominations to CAGs

The PIOB approved Mr. Keith Bowman as the new IAESB CAG chair and Mr. Matthew Waldron as the new IAASB CAG chair.

The PIOB also approved two new IESBA CAG member organizations—the Financial Islamic Services Board and the Associação Brasileira de Instituições Financeiras de Desenvolvimento—and their first representatives and was notified of new representatives at the CAGs.

Table 5 details the nominations and reclassifications approved in 2014.

Table 5 – Nominations and reclassifications to SSBs, CAP, and the NC approved by the PIOB during 2014

| Group or individual | Appointments | | | |
|---|--------------|-------------|-------------------|-----------|
| | New | Reappointed | Reclassifications | Total |
| International Auditing and Assurance Standards Board (IAASB) | | | | |
| IAASB chair | | | | |
| IAASB deputy chair | 1 | | | 1 |
| IAASB members | 5 | 3 | 1* | 9 |
| IAASB CAG chair | 1 | | | 1 |
| International Accounting Education Standards Board (IAESB) | | | | |
| IAESB chair | 1 | | | 1 |
| IAESB deputy chair | 1 | | | 1 |
| IAESB members | 6 | | | 6 |
| IAESB CAG chair | 1 | | | 1 |
| International Ethics Standards Board for Accountants (IESBA) | | | | |
| IESBA chair | 1 | | | 1 |
| IESBA deputy chair | | 1 | | 1 |
| IESBA members | 1 | 7 | | 8 |
| IESBA CAG chair | | | | |
| IESBA CAG members | 1 | | | 1 |
| Compliance Advisory Panel (CAP) | | | | |
| CAP deputy chair | | 1 | | 1 |
| CAP members | 1 | 1 | | 2 |
| Nominating Committee (NC) | | | | |
| NC members | | 3 | | 3 |
| Total | 20 | 16 | 1 | 37 |

*Reclassification of one IAASB member from non-practitioner to public member.

In 2014, the PIOB continued to identify and reach out to potential interested parties that are related to or affected by standard setting. The PIOB continues to formulate a communications policy that meets the objectives set within its mandate.

This communications policy is twofold: on the one hand, the PIOB continues to improve its own insights and understanding of the public interest concerns raised by a diverse group of stakeholders; on the other, it aims to communicate effectively the functioning and objectives of the standard-setting infrastructure and its public interest oversight.

The highlight of this year's outreach activities was the public interest workshop for CAG members and the PIOB that was held in September 2014. The PIOB used this workshop to recognize the importance of CAG input in the standard-setting process and to understand the concerns of CAG members regarding the role of the CAGs in the standard-setting model. This event was structured in two sessions, during which participants were divided into roundtables with balanced representation of the participating groups. The outcome of the event helped all participants and the PIOB to understand how CAG members assess their current role. The PIOB intends to organize similar initiatives with different groups of stakeholders in the coming years. The agenda for the public interest workshop and the PIOB paper summarizing the conclusions from the workshop can be consulted at <http://www.ipiob.org/index.php/news-details>.

After 10 years of operations, the PIOB has built up an annual calendar with several fixed meetings with external parties, such as the Monitoring Group, MG member bodies, IFAC board, and IFAC council. These annual meetings serve as periodic contact points and give the PIOB an opportunity to update its audience and keep abreast of their public interest concerns. In addition to these, in 2014 the PIOB engaged with other parties such as the Bank for International Settlements (BIS), the Basel Committee on Banking Supervision (BCBS), the Financial Stability Board (FSB), European Audit Inspection Group (EAIG), the International Corporate Governance Group (ICGN), the Intergovernmental Working Group of

Experts on International Standards of Accounting and Reporting (ISAR), and the PCAOB's International Auditor Regulatory Institute.

Other important events have been the PIOB's participation in the World Congress of Accountants in Rome through PIOB member Nic van der Ende, who was a speaker at the congress, and the address by PIOB Secretary General, Gonzalo Ramos, at the Nineteenth International Scientific Course in Beirut hosted by the Lebanese Association of Certified Public Accountants (LACPA).

The PIOB contributes to the training and capacity building of accountants and has therefore supported initiatives in the academic sector (described in table 6). In Spain it has worked with the professional accounting body (Instituto de Censores Jurados de Cuentas de España) and the Universidad Autónoma de Madrid in its Master's program for accountants.

2015 will mark the tenth anniversary of the PIOB. Following the positive experience with the public interest workshop, the PIOB will organize a similar event in September 2015 to gather insight on the experience gained so far and the challenges ahead in setting standards in the field of audit, education, and ethics.

In addition, the PIOB will carry out a regional outreach event in Abu Dhabi coinciding with its March meeting. This will give the PIOB a chance to meet with regulators and professional bodies from the area to help broaden its view on public interest in the Gulf. The PIOB secretary general carried out the initial outreach effort during his participation in the Nineteenth International Scientific Course hosted by the LACPA in Beirut in November.

Table 6 – List of 2014 outreach engagements

| Month | Location | Entity | PIOB observer |
|------------------|-----------------|---|--|
| JANUARY | | | |
| 14 | Webinar | IFAC board | Gonzalo Ramos |
| FEBRUARY | | | |
| 25 | New York/online | IFAC council | Gonzalo Ramos |
| MARCH | | | |
| 19 | Toronto | MG | Eddy Wymeersch, Gonzalo Ramos |
| APRIL | | | |
| 1 | Brussels | Federation of European Accountants (FEE) public sector roundtable | Karel Van Hulle |
| 1 | Lisbon | EAIG | Eddy Wymeersch, Gonzalo Ramos |
| 4 | Bilbao | Universidad del País Vasco | Gonzalo Ramos |
| 7-8 | Washington | IFIAR | Eddy Wymeersch, Gonzalo Ramos |
| MAY | | | |
| 14 | Madrid | Auditing and accounting student conference, MACAM | Gonzalo Ramos |
| JUNE | | | |
| 5-6 | New York | IFAC board | Jane Diplock |
| 16-18 | Amsterdam | ICGN annual meeting | Eddy Wymeersch, Nic Van der Ende |
| 28-29 | Basel | BIS annual general meeting | Nic van der Ende |
| JULY | | | |
| 10 | Washington | IESBA roundtable | Chuck Horstmann, Eddy Wymeersch |
| SEPTEMBER | | | |
| 4-5 | New York | IFAC board | Jane Diplock |
| 11 | New York | Public interest workshop | ALL |
| OCTOBER | | | |
| 1-2 | Rio de Janeiro | IOSCO annual conference | Maria Helena Pettersson |
| 6 | Washington | International Monetary Fund–World Bank: The new fiscal transparency code and public expenditure and accountability (PEFA) framework | Jules Muis |
| 7 | Brussels | 20 years of the Institute of Chartered Accountants in England and Wales (ICAEW) presence in Brussels | Eddy Wymeersch |
| 15-17 | Geneva | Intergovernmental Working Group of Experts on ISAR | Gonzalo Ramos |
| 20-25 | Amsterdam | IAIS annual conference | Michael Holm |
| NOVEMBER | | | |
| 7 | Rome | IFAC council | Karel Van Hulle |
| 10 | London | IFRS Foundation, sixteenth annual Meet the Experts Conference | Nic van der Ende |
| 10-13 | Rome | World Congress of Accountants | Nic Van der Ende, Gonzalo Ramos, Claudia Deodati, Rocío Goudie |
| 17-19 | Washington | PCAOB, International Auditor Regulatory Institute | Gonzalo Ramos |
| 24 | Madrid | EAIG, Steering Committee | Gonzalo Ramos |
| 25-26 | Madrid | EAIG | Eddy Wymeersch |
| 25-26 | Beirut | Nineteenth International Scientific Course, hosted by LACPA | Gonzalo Ramos |
| DECEMBER | | | |
| 1 | Madrid | Association for Accounting Training—Spain | Gonzalo Ramos |
| 10-12 | London | Prince's Accounting for Sustainability | Jane Diplock |

PIOB Foundation (1, 2) Summary Statement of Financial Performance

| | 2014 | 2013 |
|---|------------------|------------------|
| TOTAL REVENUE (3) | 1.502.850 | 1.473.384 |
| EXPENSES | | |
| Board related operating costs | | |
| Oversight Program | 821.025 | 793.870 |
| External Relations Program | 143.109 | 127.302 |
| Monitoring Group and Monitoring Group members | 145.328 | 139.079 |
| Foundation Board Meetings | 132.030 | 123.476 |
| Other start-up and ongoing operating costs | | |
| | 224.474 | 217.775 |
| TOTAL EXPENSES | 1.465.966 | 1.401.502 |
| Surplus | 36.884 | 71.882 |

(1) The PIOB operates as a Technical Committee of its Spanish not-for-profit foundation, La Fundación Public Interest Oversight Board (“the PIOB Foundation”).

(2) In addition to local regulatory responsibilities, the PIOB Foundation is operationally and financially accountable to the Monitoring Group.

This accountability includes the presentation of periodic operating reports, the PIOB’s annual Public Reports, the PIOB Foundation yearly audited financial statements, and an annual budget for the Monitoring Group’s review and approval.

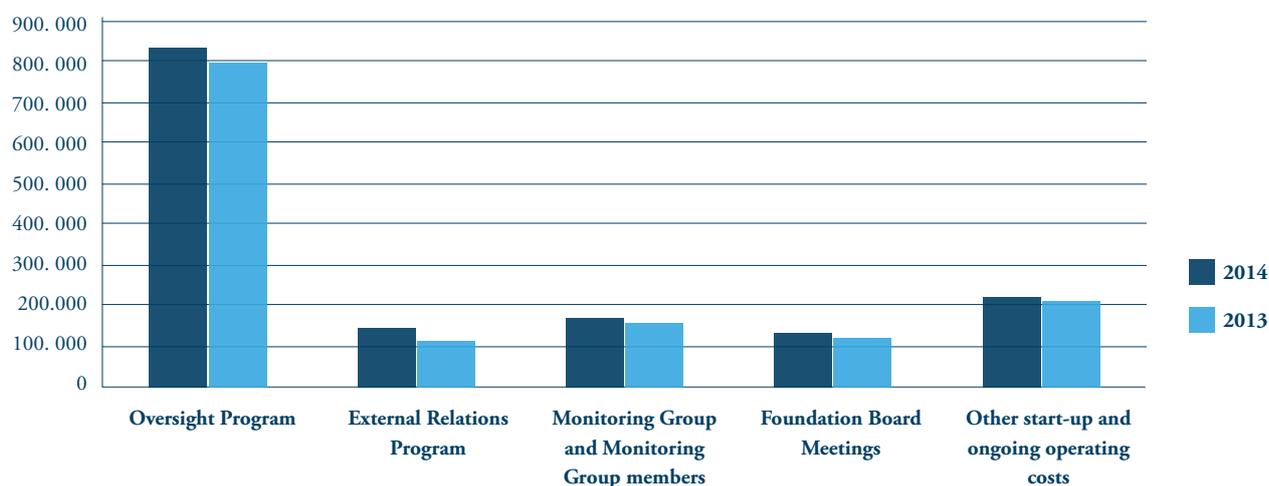
(3) PIOB total revenues for 2014 were contributed by the International Federation of Accountants (IFAC) in the amount of 874,540 Euros, the European Commission (EC) in the amount of 272,000 Euros, Abu Dhabi Accountability Authority (ADAA) in the amount of 120,000 Euros, International Organization of Securities Commissions (IOSCO) in the amount of 100,000 Euros, Bank for International Settlements in the amount of 55,000 Euros, Financial Reporting Council (FRC) in the amount of 40,000 Euros, and the World Bank in the amount of 50,000 USD.

In 2014, the remainder of revenue over expenses of 36,884 Euros was retained to strengthen the Foundation’s capital base for the near term.

The PIOB Foundation’s auditor, Deloitte S.L., delivered an unqualified opinion on the complete financial statements of the Foundation.

The full version of these statements and the auditor’s report are available separately on the PIOB web site at www.ipiob.org.

PIOB Expenses by Activity





Mr. Eddy Wymeersch - PIOB Chairman

Member of the board of Euroclear SA and of the Association for the Financial Markets in Europe (AFME); former chairman of the Committee of European Securities Regulators (CESR) (2007–10) and of the European Regional Committee of IOSCO, in that capacity also taking part in the Executive and the Technical Committees (2006–10); former chairman of the Belgian Commission Bancaire, Financière et des Assurances (CBFA, chief executive in 2001–07 and chairman of the supervisory board in 2007–10); and member of Swiss FINMA (2012).



Mr. Chandrashekhar Bhawe

Former chairman of the Securities and Exchange Board of India; former chairperson of the Asia-Pacific Regional Committee; and former chairman of the National Securities Depository, Ltd.



Ms. Jane Diplock, AO

Chair, Executive Committee, IOSCO (2004–11) and chairman, New Zealand Securities Commission; director of the Singapore Exchange Ltd.; director of the Australian Financial Services Group Party Ltd.; director of the International Integrated Reporting Council Board; member of the International Advisory Board Securities and Exchange Board of India; and member of the International Advisory Committee, China Securities Regulatory Commission.



Mr. Nic van der Ende RA

Certified accountant and coordinating senior policy officer at De Nederlandsche Bank, the Netherlands; member of the Basel Committee on Banking Supervision's Accounting Expert Group and Audit Sub-Group; member of the European Banking Authority's Standing Committee on Accounting, Reporting, and Auditing and its Audit Sub-Group; former coordinator of post-academic course "Accountant and Sustainability" at the Economic Faculty of the University of Amsterdam; and former public accountant at PricewaterhouseCoopers, the Netherlands.



Ms. Maria Helena Pettersson

Initially joined the auditing profession as a trainee auditor at Ernst and Whinney (1981–83); held an executive position at Prefomed Line Products in São Paulo (1983–85); rejoined the auditing profession as a senior auditor at PwC Brazil (1985–88); audit manager at PwC Sweden (1989–91); audit partner at Ernst and Young Brazil (1991–2012); consultant and independent board member (2012–present); vice president of the Brazilian National Association of Accountants and Management Professionals (ANEFAC).



Mr. Michael Holm

Former director of the Reinsurance and General Insurance Division of Finanstilsynet, Danish Financial Supervisory Authority, becoming a bank inspector (1988), head of Market Risk Division (1990), director of Financial Conglomerates (1992), and director of Reinsurance and General Insurance (1998); former president of the Council Working Group on Financial Conglomerates during the Danish Presidency of the EU and negotiated the final details with the European Parliament (2002); former member of the IAIS Technical Committee and of the IAIS Reinsurance Subcommittee; and knighted by the Queen of Denmark in 1993.



Mr. Chuck Horstmann

With a 40-year career in public accounting and more than 20 years of experience in global management roles dealing with professional and regulatory matters, served as IFAC's deputy president, working closely with the MG in 2002–04 on the IFAC reforms that led to the formation of the PIOB and its oversight roles; involved in monitoring standard-setting developments and providing comment letters to the Monitoring Group, the PIOB, and various standard-setting organizations.



Mr. Jules Muis

Former director general and chief internal auditor of the European Commission (2001–04) and vice president and controller of the World Bank (1995–2000); prior to 1995, held senior client- and practice-management positions at Ernst and Young, serving as executive partner of its European operations (1992–94); former president of NIVRA, the Dutch Institute of Registered Accountants (1991).



Mr. Karel Van Hulle

Associate professor at the Business and Economics Faculty of the KU Leuven, honorary professor at the Economics Faculty of the Goethe University in Frankfurt and chairman of the Insurance and Reinsurance Stakeholder Group of the European Insurance and Occupational Pensions Authority (EIOPA); former head of unit at the European Commission until March 2013, with subsequent responsibilities for accounting, auditing, company law, insurance, and pensions.

PIOB Secretary General



Mr. Gonzalo Ramos

PIOB secretary general; chair of the International Monetary Fund External Audit Committee; former executive director, chairman of the Financial and Operations Committee, and vice chairman of the Audit Committee, European Bank for Reconstruction and Development; former director general of international finance for the Spanish Ministry of Economy and Finance.

PIOB Staff

Susana Novoa – Director of Oversight

Rocío Goudie – Communications and External relations Advisor

Claudia Deodati – Oversight Advisor

Heather Erickson – Executive Assistant

Renzo Lari – Financial Controller

This glossary was prepared to explain various terms used in preparation of this report. It is not intended to be used or cited as a source of authoritative definitions.

ACCOUNTANCY: The profession of accounting. Accounting comprises measurement, preparation, validation, disclosure, auditing of, and provision of assurance and advisory services on financial information.

ACTION PLAN: the document that the IFAC Member Body Compliance Program requires members and associates to prepare, identifying the tools, resources, and regulatory changes needed to advance their best endeavors to promote and incorporate international standards issued by the IAASB, IAESB, and IESBA, the International Public Sector Accounting Standards Board, and the International Accounting Standards Board (IASB); quality assurance review systems; investigation, and disciplinary programs.

BASEL COMMITTEE ON BANKING SUPERVISION (BCBS): the international body comprising central banks and banking supervisory authorities from certain key markets that formulates and encourages convergence toward broad supervisory standards, guidelines, and statements of best practice.

BASIS FOR CONCLUSIONS: The final public accountability document prepared at the conclusion of a standard-setting or other approved Public Interest Activity Committee (PIAC) project and published on the standard-setting boards' websites. The basis for conclusions provides background information on the project, sets out the main comments received in response to the exposure draft, explains how the relevant standard-setting board has addressed these comments, and provides the rationale used to support the board's conclusions. This document is not part of the approved final pronouncement and is not authoritative.

BRIEFING MEMO: A memo prepared by PIOB staff for each SSB, CAG, and CAP meeting. Memos include technical analysis of the due process followed and highlight issues of relevance to the PIOB observer. They include points or concerns raised by

PIOB observers at previous meetings and provide information on technical aspects of the standards when this relates to the public interest. They also include information regarding comment letters submitted by key stakeholders.

CALL FOR NOMINATIONS (CFN): A document published by IFAC early each year that is designed to help IFAC to find the best person for each vacancy on its boards and committees, while also achieving gender, regional, and professional balance. This publication also contains strategic and practical advice for nominating organizations, allowing them to make informed decisions in selecting their nominees and to understand what is expected of them.

CLARITY PROJECT: a comprehensive IAASB program that was aimed to enhance the quality and consistency of global audit practice by applying a new drafting format to all existing and future ISAs. This project was completed in December 2008.

CODE OF ETHICS: An IESBA document that establishes ethical requirements for professional accountants and provides a conceptual framework to ensure compliance with the five fundamental principles of professional ethics: integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. Under this framework, all professional accountants are required to identify threats to these fundamental principles and, if there are threats, to apply safeguards to ensure that the principles are not compromised.

COMPLIANCE ADVISORY PANEL (CAP): the panel responsible for overseeing the implementation and operation of the IFAC Member Body Compliance Program. The objective of this program is to evaluate the quality of the endeavors of IFAC members and associate members to meet the requirements of IFAC membership. The PIOB oversees the work of the CAP.

CONSULTATIVE ADVISORY GROUP (CAG): A group constituted to provide advice, including technical advice, to one of the IAASB, IAESB, and IESBA. Regular interaction between each CAG and

its respective standard-setting board is part of the board's formal consultation processes. The PIOB oversees each CAG.

DIRECT OBSERVATION (DO): an oversight procedure where a PIOB member physically attends a PIAC meeting and is able to make comments or recommendations instantly.

DUE-PROCESS COMPLETION: the point at which the established and approved due process to be followed by the IAASB, IAESB, and IESBA in developing international pronouncements is determined to be complete. Prior to publication of an international pronouncement, the PIOB receives certification from the managing director, Professional Standards, of the standard-setting boards that all required due-process steps have been completed. The PIOB's decision is based on evaluation of this certificate together with the results of its own oversight activities.

EXTENDED REVIEW (ER): a risk-based framework that provides the PIOB with an additional measure of independent analysis and assessment of the due process applied in the development and finalization of a specific standard, practice statement, other authoritative international pronouncement, or PIAC strategy and work plan.

FINANCIAL STABILITY BOARD (FSB): A board established to coordinate at the international level the work of national financial authorities and international standard-setting bodies and to develop and promote the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The Financial Stability Forum was the predecessor to the FSB.

INTERNATIONAL ACCOUNTING EDUCATION STANDARDS BOARD (IAESB): the independent standard-setting board that develops International Education Standards and other pronouncements for professional accountants. These pronouncements deal with education, practical experience, tests of professional competence for accreditation, and the nature and extent of continuing professional education. The PIOB oversees the work of the IAESB.

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS (IAIS): a global organization that represents insurance regulators and supervisors, issues global insurance principles, standards, and guidance papers, provides training and support on related issues, and promotes effective insurance supervisory regimes.

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB): the independent standard-setting board that develops International Standards on Auditing and other pronouncements dealing with auditing, review, other assurance, quality control, and related services. The PIOB oversees the work of the IAASB.

INTERNATIONAL EDUCATION STANDARDS (IESs): the IAESB's pronouncements that address the principles of learning and development for professional accountants. They prescribe good practice in learning and development for professional accountants and should be incorporated into the educational requirements of IFAC member bodies.

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA): the international standard-setting board that develops ethical standards and other pronouncements for use by professional accountants. The PIOB oversees the work of the IESBA.

INTERNATIONAL FEDERATION OF ACCOUNTANTS (IFAC): the global organization representing the accountancy profession. IFAC is committed to protecting the public interest by developing high-quality international standards, promoting strong ethical values, encouraging quality

practice, and supporting the development of all sectors of the profession around the world. The IAASB, IAESB, and IESBA are three independent standard-setting boards that are supported by IFAC.

INTERNATIONAL FORUM OF INDEPENDENT AUDIT REGULATORS (IFIAR): a forum of national audit regulators from several jurisdictions that conduct inspections of auditors and audit firms. Among its objectives are the sharing of knowledge and practical experience, promotion of collaboration and consistency in regulatory activity, and engagement with other organizations with an interest in audit quality.

INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS (IOSCO): the cooperative forum for securities regulatory agencies and the international standard setter for securities markets.

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSASs): the global financial reporting standards for application by public sector entities other than government business enterprises, issued by IFAC's International Public Sector Accounting Standards Board.

INTERNATIONAL STANDARDS ON AUDITING (ISAs): IAASB pronouncements to be applied in the audit of historical financial information.

MONITORING GROUP (MG): the regulatory and international organization responsible for monitoring implementation of the IFAC 2003 reforms. The MG nominates PIOB members and engages in dialogue with the international accountancy profession, receives operating and financial reports from the PIOB, and updates the PIOB regarding significant events in the regulatory environment. Members of the MG are the Basel Committee on Banking Supervision, the European Commission, the International Association of Insurance Supervisors, the International Organization of Securities Commissions, the World Bank, the Financial Stability Board, and the International Forum of Independent Audit Regulators.

MONITORING AND REPORTING (M&R): an oversight procedure by which PIOB staff monitor PIAC meetings after they have taken place. This includes analyzing PIAC meeting documents related to the development of standards and the minutes for the particular meeting.

NOMINATING COMMITTEE: the committee that recommends to the IFAC board the appointment of chairs, deputy chairs, members, and public members for IFAC PIACs. The PIOB has the right to observe and speak at Nominating Committee meetings with respect to PIAC appointments.

NON-PRACTITIONER: according to the definition in the 2016 Call for Nominations, a person who "is not a member or an employee of an audit firm. Former members or employees of such firms can be regarded as non-practitioners only after three years have elapsed since ceasing membership in, or employment by, a firm."

OBSERVATION MEMO: a document developed by either PIOB members or staff after carrying out an oversight assignment to assess the meeting observed or monitored.

OVERSIGHT ASSURANCE METHODOLOGY (OAM): a cohesive methodology that determines the application of one of four models that guide the nature and scope of the PIOB's oversight work for the year. Each model offers a different level of assurance, and the level chosen for each PIAC should be of sufficient intensity to enable the PIOB to conclude whether the activities of PIACs and the CAGs follow due process and safeguard the public interest.

OVERSIGHT PLAN: an annual plan that describes the Oversight Assurance Model and oversight procedures that will be applied by the PIOB in PIAC oversight. These plans are drawn up by the PIOB team leaders of each PIAC.

PUBLIC CONSULTATION: various types of public engagement between a standard-setting board and a broad spectrum of external interested parties. The standard-setting board may hold one or more public forums or roundtables or issue a consultation paper in order to solicit views on a matter under consideration. All draft international pronouncements are published as exposure drafts on the IFAC website for public comments, which constitutes the “exposure period.” In addition to comments made by respondents to an exposure draft, the standard-setting board seeks advice from its CAG and may also consider whether to conduct a field test of its proposals. After approving the revised content of an exposed international pronouncement, the standard-setting board assesses whether substantive changes have been made to the exposed document that may warrant another exposure.

PUBLIC INTEREST OVERSIGHT BOARD (PIOB): an independent body that is nominated by the Monitoring Group and is responsible for approving appointments and conducting ongoing oversight of IFAC public interest activities. The PIOB’s mandate requires it to increase public confidence that those activities are properly responsive to the public interest.

PRACTITIONER: according to the definition in the 2016 Call for Nominations, “a member or an employee of an audit firm ... Even though audit firms can provide a variety of professional services other than auditing, all of their employees are considered practitioners.”

PUBLIC MEMBER: according to the definition in the 2016 Call for Nominations, a person who “clearly represent[s], and [is] seen to represent, the broad public interest; therefore, nominations of non-accountants are strongly encouraged for these positions. Individuals nominated for public member positions should desirably have a technical knowledge of the subject matters considered by their board. Public members cannot be practitioners.”

REMOTE OBSERVATION (RO): an oversight procedure by which PIOB staff joins a PIAC meeting via teleconference.

REPORT-BACK: a document prepared by the task force assigned to a specific project, describing the response that the relevant SSB or the task force itself gave to each individual comment raised by CAG representatives during the CAG meetings. This tool helps to track the comments and provides the rationale for the decisions taken by the SSB or task force, explaining why the comments were accepted, were rejected, or are still under consideration by the board or task force.

STANDARD-SETTING BOARDS (SSBs): the International Auditing and Assurance Standards Board (IAASB), the International Ethics Standards Board for Accountants (IESBA), and the International Accounting Education Standards Board (IAESB) under the oversight of the PIOB.

STATEMENTS OF MEMBERSHIP OBLIGATIONS (SMOs): the seven statements issued by the IFAC that establish requirements for IFAC members and associates to promote, incorporate, and assist in implementing international standards issued by IAASB, IAESB, IESBA, and the International Accounting Standards Board. The SMOs also establish requirements for quality assurance and investigation and disciplinary activities.

TEAM LEADER: a PIOB member assigned to coordinate the oversight activity of a particular PIAC throughout a given year.

TERMS OF REFERENCE (TOR): a document that sets out the objective, scope of activities, and membership for each of the IAASB, IAESB, IESBA, their respective CAGs, and the CAP. These documents are available on the IFAC website.

(11) The list and definitions of the SMOs can be consulted at http://web.ifac.org/download/Statements_of_Membership_Obligations.pdf.

THOSE CHARGED WITH GOVERNANCE (TCWG): the person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

WORLD BANK: the international financial institution that provides financial and technical assistance to developing countries while furthering its mission to reduce global poverty and improve living standards.





Public Interest Oversight Board

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