

Comment on the Monitoring Group Review of the IFAC Reforms Consultation Paper

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This paper is prepared by David Damant (the outgoing Chair of the IAASB CAG, DCD) and Linda de Beer (the incoming Chair of the IAASB CAG, LdB), and on our own responsibility. We comment on those aspects of the Monitoring Group (MG) Consultation Paper, which are relevant to the CAGs, but refer only to the IAASB CAG (the CAG). The Chair will pass to LdB on 15th September 2010.

Role of the Audit and Ethics Boards' Consultative Advisory Groups

Observation/Implications/Recommendation 7

We are surprised to read that the role of the CAG has exceeded its original remit. Apart from the text of this section of the MG Review, we have heard or observed nothing to this effect. The CAG has indeed grown in size and, one might suppose, in influence, as membership has increased to include more stakeholders and certain procedures have been developed - but that was, one might assume, the intention within the IFAC Reforms of 2003. Discussions face to face in the CAG meetings, allowing a two way exchange, are much more likely to bring in the views of those stakeholders not close to IFAC and its processes than comment letters which in several cases would in any case not be written. The prominence of the CAG is a natural consequence of the fulfilment of the original concept.

It is not clear from the text leading to Recommendation 7 whether the MG claims that there is a perception that the CAG has exceeded its role, or that it has so exceeded. If it is a matter of perception we suggest that the role be clearly promulgated. If the claim is that the CAG has in fact exceeded its role we do not agree, and would welcome any evidence to that effect. We do not see the CAG as the "*guardian of the technical content in standards*" or that the CAG has a "*technical signoff or governance role*" and we cannot see how that can be the perception. We do as is stated, provide "*technical advisory input on standards issues*" and at times "*alert the Board[s] to additional matters that need attention*", and that is how the CAG agendas are constructed (see Recommendation 7 - for other points in Recommendation 7 see the comments regarding Recommendation 8 below.)

In addition to the technical guidance role of the CAG, it has another very important role, as stated in its terms of reference to advice on the broader objectives, timing and priority of the projects of the IAASB. This forms an important part of the CAG agenda.

One aspect of this matter might be that the requirement in the latest document on Due Process, issued by IFAC after approval by the PIOB, that the CAG as a whole advises the CAG Chair as to whether due process has been followed in the CAG discussions of IAASB proposals: hitherto, the CAG Chair alone has advised the PIOB on this point, without the input from the CAG. IOSCO, as a member of the CAG, has reserved its position on the matter and it may be that the question needs to be reconsidered, or a formal exclusion be arranged for IOSCO and any other CAG member which does not wish to be involved in this advice. Nevertheless, this is a separate matter, and can be discussed separately: and it is concerned only with due process within the CAG discussions, and certainly does not in itself justify any wider claim, about the role of the CAG outside the CAG's own meetings and processes. If this matter is separated we see nothing left to justify the claims that the CAG has exceeded its mandate.

These are our own views but we note that the CAG as a whole is an independent body and acts in ways that it judges appropriate. If there are external views as to its role in a wider context these can of course be considered by the CAG membership.

Meetings of the Audit and Ethics Boards' Consultative Advisory Groups

Observation/Implications/Recommendation 8

Volume of papers

When the CAG was developed in 2004/05 the so-called "CAG Papers" were devised, to present the CAG members with papers much shorter than the IAASB Board Papers, structured in an appropriate way and focussing on the essential points as seen by the IAASB Task Force and the staff. It was unlikely that many members of the CAG would read the full Board Papers as such because of their length and structure. However all CAG members have access (via computer links) to the full Board Papers should they wish to consult them, or to generate or confirm points they wish to raise in the CAG meeting relevant to the matter but not raised in the CAG Papers. Hence the papers available to a CAG meeting are by definition much more extensive than for the IAASB Board meeting, being the CAG Papers plus the Board Papers. But the CAG Papers themselves are the papers relevant to the CAG meeting itself and are constructed as such.

Passing CAG points to the IAASB

The main route by which the points raised in the discussion of a topic in the CAG are conveyed to the IAASB is by the presence in the CAG meeting of the relevant IAASB Task Force Chair (usually physically, less often by teleconference) - or another member of the Task Force, and in some cases the relevant staff member. Thus all the points made in the discussion, and its tone etc., are brought to the attention of the Task Force and through them to the documentation and the Board. In addition, the Task Force Chair is provided with the draft minutes of the CAG discussion (even if the delay before the board is only a few days). Additional comments in the Board may be made by the IAASB Chair or Deputy Chair, or by the CAG Chair, but that is not the comprehensive route.

Phrases in the CAG minutes

We note the question raised about the use of phrases in the CAG minutes such as "*the CAG members did not object*" etc. We can see that these phrases might give rise to the assumption that all CAG Member Organisations have agreed to all parts of an IAASB proposal whether discussed at the CAG or not. In particular many Member Organisations will not have considered all the detailed technical points raised in

a particular proposal. LdB will discuss with staff and others whether some other wording, or perhaps preferably some general disclaimer, could be arrived at. We should add that although some Representatives have commented that they cannot judge many of the technical points it has never been suggested to us that the discussions in the CAG or the CAG minutes give rise to the conclusion that all Member Organisations agree with all the points.

Timing of the CAG meetings

As regards the possibility that the CAG meetings should be held at a time for which very adequate lead time is possible for the relevant papers to be circulated within Member Organisations of the CAG, the disadvantage would be that the points raised for the CAG would be either too late (the matter having been decided) or too early (the Task Force having not yet drafted its proposals for the Board). The other disadvantage of moving the CAG meetings earlier and thus away from close proximity to the Board meetings, is that the CAG will not have for reference and possible discussion at the CAG meetings all the Board papers relevant to the topics discussed, as at the time of the CAG meetings, such Board papers might still need to be drafted. The present plan, whatever its disadvantages, enables the CAG to present its views at the crucial moments. The timing of CAG meetings could be reviewed should the MG so desire, but we believe that any change would point in the direction of the CAG becoming a talking shop and that its influence would be sharply reduced. In any case topics tend to come up to the CAG and the Board over several meetings so that any late papers usually cover familiar ground.

Response to MG comment letters

(See the "*second area*" under Preliminary Conclusions and the Observation section leading to Recommendation 10)

We agree with the MG comments that the CAG meetings are not satisfactory places for the full discussion of the points made in MG comment letters. We would however go further and give as our view that the CAG meetings should not as a matter of principle be used to repeat and argue for the points made in comment letters, whether from the MG or others. First, this would exhaust the time available (indeed the time available would be insufficient) and from the time that DCD became Chair of the CAG, the meetings have not been seen as an arena to repeat the comment letters - although the

making of certain points in the CAG meeting which have also been made in the comment letters is not only unavoidable but helpful to the quality of the debate. More important is the point that the purpose of the CAG is to draw views from many stakeholders, several of which will not be engaged in these topics in their normal life. It is vital to draw out their perspectives and this is impeded if those (not only the MG) who have detailed views dominate the discussion. It is one of the tasks of the CAG Chair to avoid this and to encourage the other members.

The question of a possible separate mechanism for the discussion of the points made in the MG comment letters is not a matter for us, but certainly the CAG meetings should not be seen as part in any solution of this matter.