



12 December 2016

Chairman
Public Interest Oversight Board
Madrid
Spain

Email: Piob-strategy@ipiob.org

Attention: Mr Eddy Wymeersch

Dear Mr Wymeersch

Public Consultation Paper: 2017-2019 PIOB Strategy

Introduction

The Financial Reporting Council (FRC) of Australia is pleased to make this submission on the Public Consultation Paper: *2017-2019 PIOB Strategy*.

The FRC is the peak body responsible for overseeing the effectiveness of the financial reporting framework in Australia, including oversight of accounting and auditing standard-setting processes.

The work of the PIOB is therefore important to the FRC. It is critical to us that the PIOB continues to be an effective independent oversight body.

General Comments

In the main, we are very satisfied with the role of the PIOB and do not see any great need for change. We also believe that the current standard setting model is a strong model, serving all stakeholders exceptionally well.

Accordingly, we have not responded separately to all of the questions asked in the Consultation Paper.

A key point we would like to make is that much of the discussion in the Consultation Paper seems to imply that technical members (or those affiliated with the accounting profession) cannot be assumed to be setting standards in the public interest. Whilst oversight is warranted by the PIOB, technical members are obliged to act, and as professionals should act, in the public interest. Regardless of their background all SSB members should be presumed in the first instance to bring public interest perspectives to their role in standard setting. We would particularly not like the issue of public interest to override the need to have sufficient technically competent members.

Another point is that the issue of remuneration of SSB members is not comprehensively discussed other than with respect to Public Members. We would welcome exploration of this issue as all of the positions can be onerous in terms of time, and we need to be confident we are appointing the most credentialed members.

Specific Comments

1. Extension of the PIOB's involvement in overseeing the work of the working groups and/or task forces.

We do not agree with the extension of the PIOB's role to cover oversight of the working groups and/or task forces. Task forces and working groups are assigned the objective of preparing documents for an SSB's deliberation during its public meetings. Each task force or working group is supported by one or more SSB technical staff, that has responsibility for preparing materials for their consideration, and much attention is given to involving the right people on particular groups, including external stakeholders. It is the SSBs' public meetings where decisions are taken, and therefore where oversight is best placed.

Involvement at the working group and/or task force level increases the risk the PIOB will go beyond its independent oversight role and be involved in the technical content of standards. More importantly, it risks the PIOB being perceived to be part of the standards development process, rather than as an autonomous oversight body.

There is also a serious but necessary resource issue if the PIOB was to be involved in such groups more structurally.

2. Having more non-practitioners and non-technical members on SSBs.

While we support the PIOB refining, where appropriate, the balance of representation on the SSBs, members of the SSBs need to have the required technical capability, skilfulness and proficiency to be able to comprehend and discuss issues as they arise, and have a genuine interest and skills in standard setting. We are aware standard setters worldwide have difficulty in finding non-practitioners and non-technical board members with these attributes. However it is also important to acknowledge that membership on SSBs is not the only way to be involved. Engaging with non-practitioners and non-technical members in forums outside of the SSBs, adding extra official observers at meetings, or engaging with selected individuals also provides valuable input to standard setting without a formal position on a SSB. This process needs to be proactive however.

Currently, a SSB is made up of 18 members including the Chair, with no more than nine members being practitioners. Therefore, about half of the SSB's members, in conjunction with staff resources, are well-placed to undertake the technical aspects of the SSB's work. We would not like to see this reduced any further as it may impact negatively on the quality and length of time taken for setting the standards. In addition, it is also important for practitioners to be involved in standard setting to ensure the standards are capable of being implemented globally in practice by the affected practitioners.

The Consultation Paper also asks whether, in addition to investors and regulators, there are other stakeholders that merit representation in the standard setting process. Our view is that there are many, including users, valuers, actuaries, industry or subject matter specialists, directors, audit committee members, chief financial officers and many more depending on the specific topic of consideration. This is indeed why membership on SSB of all such stakeholders is not practicable and use of other ways, proactive ways, of gaining their involvement need to be implemented.

The comments we raise above regarding the need for adequate technical representation also relate to the Consultation Paper's questions about the composition of the Nominations Committee. In particular, we believe the Chair of the Nominations Committee should have technical expertise, as

should the majority of members. This is necessary to ensure the Nominations Committee has sufficient understanding of the attributes required for the positions to be filled.

3. Removal of the prerogative of the International Federation of Accountants (IFAC) to nominate a PIOB member for consideration

We do not consider it necessary to remove the prerogative of IFAC to nominate a PIOB member for consideration by the Monitoring Group (MG). IFAC's prerogative is one of nomination only, not of appointment, so it seems unclear to us as to how the removal of IFAC's prerogative to nominate will strengthen the independence of PIOB.

Given that approximately 50% of PIOB's funding comes from the accountancy bodies through IFAC, it seems both unnecessary and inappropriate to make this change to IFAC's involvement.

If you have any queries or require clarification on any matters in this submission, please contact Ms Jane Holmes (marketssecretariat@treasury.gov.au) or me.

Yours sincerely

A handwritten signature in blue ink that reads "Bill Edge". The signature is written in a cursive style with a large initial "B" and "E".

Bill Edge
Chairman
Financial Reporting Council