

IAPC REVIEW TASK FORCE

Transmittal Letter to the IFAC Board

2 November 2001

To the Board of the International Federation of Accountants

We are pleased to submit our final Report on the membership, organisation and processes of the International Auditing Practices Committee (IAPC). We believe that our recommendations achieve the objective set out in our terms of reference to ensure that the IAPC meets the anticipated requirements of stakeholders in terms of its efficiency, transparency and credibility as the recognised international standard-setter. We, therefore, recommend that you approve this Report.

We have analysed the comments received on our draft Report and Recommendations that were exposed for public comment 30 June 2001. Our final Report includes amendments from the 30 June draft to reflect the changes we deemed appropriate after giving due consideration to the comments received.

Overview of our process

Thirty-six respondents provided comments on our draft Report and Recommendations, including:

- 17 IFAC member bodies
- 4 standard-setting bodies
- 2 regional organisations
- 5 regulators/international organisations
- 5 firms
- 3 others (individuals and other IFAC Committees)

Most of the responses were supportive of the draft recommendations, with only a small number of respondents expressing concern with the direction proposed. Many responses offered very thoughtful comments and suggestions for consideration by the Task Force, ranging from probing questions regarding certain recommendations to suggestions for improvement. We were impressed by both the quality and quantity of the responses, which demonstrated the substantial interest of IAPC stakeholders in this review. All responses are available for viewing on IFAC's website and we encourage IFAC Board members to read through them.

We met in Paris on 17–18 October to review the responses, which had been summarised and analysed in detail in advance of our meeting. After debating the key issues and reaching consensus on our response to them, we challenged our conclusions by reviewing the comments received a second time to ensure that each comment was considered.

Highlighted below are the key changes we have made and the reasons therefor.

Summary of significant changes

IAPC composition

The recommendations in the draft Report that garnered the most comment were those addressing the proposed IAPC membership structure.

Perhaps the most divergent views received were on the proposal to introduce non-auditor members. Many responses fully supported the recommendation, while others strongly disagreed or suggested other ways that non-auditors could be included in the standard-setting process at a more strategic level. We concur with the majority of respondents that the reasons for including non-auditors on IAPC are valid and, therefore, continue to recommend that there be three non-auditor members.

We were, however, persuaded by those who argued that our commitment to the principle of including non-auditors appeared suspect when we suggested in the draft Report that auditors could be appointed to these positions if non-auditors could not be identified. We agree that best efforts must be made to find appropriate non-auditors to serve on IAPC. We also accept that suggesting that others can fill these positions might not encourage the extra effort that might be needed to identify qualified non-auditors. For that reason, we have deleted any reference to substituting auditors for non-auditors in our final Report.

Other comments on membership related primarily to the adequacy of representation of various constituencies, in particular smaller audit firms and member bodies – both those with well-developed national standard-setting procedures and those who do not have national standard-setting functions. A number of responses made the point that it would be very difficult in practice for an individual to “wear two hats” – which might have been seen as a solution to achieve necessary balance within the fifteen member complement.

In our draft Report, we recommended increasing the size of IAPC by one. For the reasons discussed above, we propose increasing the number of members by a further three (thus increasing from IAPC’s current fourteen members to eighteen in total), with ten, rather than seven, members nominated from member bodies. While recognising that this increases the number of people at the table, we believe such an increase is necessary to optimise representation. At the same time, we are continuing to limit to one the number of technical advisors with the right to the floor at meetings that each member can bring to meetings (recognising that, as we propose that IAPC meetings be public meetings in future, other representatives from member bodies or national standard-setters would be entitled to attend the meetings as observers).

In addition, we have clarified in the final Report our view that the principle of firm/country balance should not preclude selecting an individual from a firm or country that is already represented. For example, an individual from a particular country member body should not be precluded from serving as an IAPC member if the Transnational Auditors Committee has also nominated an individual from the same country, or vice versa. Both firm and member body perspectives are valuable to the standard-setting process and it would be unrealistic to expect one mem-

ber to be able to reflect the perspectives of both. Within an eighteen member complement, however, the Nominating Committee should have sufficient flexibility to achieve appropriate firm/country balance without being unduly restricted if the “best persons” among the various nominations include more than one person from any particular firm or country.

We believe that increasing the number of member bodies represented on IAPC from seven to ten should address a number of the most significant concerns raised in the responses to the draft Report. To ensure appropriate representation from auditors of small entities and smaller firms of auditors, we would suggest that member bodies be encouraged to consider putting forward nominations that are either auditors of small entities or from smaller firms of auditors as possible candidates to achieve appropriate balance in IAPC’s overall composition.

Proposed change in IAPC’s objectives and name

One suggestion raised in the responses that we believe warrants serious consideration is changing the name of IAPC. We are proposing that the name of IAPC be changed to the International Auditing and Assurance Standards Board (IAASB).

Changing “Committee” to “Board” would be a precedent within IFAC. However, we believe that such a change, together with a reference to “standards” rather than “practices”, would convey an important message regarding real change being made in IAPC’s stature – including raising the bar on the expected quality and acceptance of ISAs as the global standards for auditors to follow.

Adding “assurance” to IAPC’s name gives appropriate recognition to IAPC’s responsibility for standards not only for the audit of financial statements, but also for assurance engagements. Some responses believed that there was not adequate attention given to assurance engagements in the draft Report. We have also made corresponding changes to the proposed objectives for IAPC to provide greater acknowledgement of IAPC’s responsibility for assurance engagements.

An important change we are proposing in the objectives is to remove the reference to “unquestionable” high quality in reference to the standards and guidance. Our reasons for doing so do not include a change in our intent – the international standards on auditing must be perceived to be high quality standards in order to be accepted by stakeholders world-wide as the appropriate benchmark for audit performance. In fact, we believe that our recommendations collectively raise the bar in that respect. Nevertheless, we were convinced by respondents that the phrase “unquestionable quality” might be subject to misinterpretation and, therefore, have deleted that phrase. On the other hand, we have elaborated further in our final Report on what we expect of “quality standards” by defining their characteristics. We are also encouraging IAPC to address the authority and hierarchy of its standards and statements, including the proper interpretation of black and grey lettering, to eliminate any ambiguities related thereto.

There were also quite strongly held views in the responses regarding the emphasis in the draft Report on IOSCO endorsement – some arguing that the “over-emphasis” on governments and, in particular, regulators could be interpreted as giving them preference over (and greater influence than) other stakeholders, including the profession itself.

IOSCO endorsement is a strategic objective of IFAC and is also of high priority to IAPC. Given IOSCO's commitment to review the ISAs as the basis for its endorsement of them in future, this focus is justified but does not in any way diminish the importance of other stakeholders in IAPC's processes. Respondents pointed out that the EU is equally important at this time as it is also in the process of considering the role that the ISAs might play in Europe in the future. Other regulators may also have similar processes under way. Accordingly, we have made changes to the Report to give greater recognition to the EU and other stakeholders.

Role of national standard setters

There was virtually unanimous support for the need to have close working relationships, liaison and co-ordination with the national standard-setters. A number of responses pointed out, however, that if convergence is the goal, stronger ties than had been proposed in the draft Report are needed.

In part, the increase in the size of IAPC will allow more member bodies with well developed standard-setting processes to be members of IAPC at any point in time – something that a number of respondents argued was important. We have also strengthened the wording of this section of the final Report. The changes emphasise that the relationships with national standard-setters are important, not only to benefit from the work done by national standard-setters with advanced agendas and important resources, but also to put in place the relationships that will be vital to promote convergence through shared goals and aligned agendas.

Strengthened consultative process

A number of responses emphasised the vital importance of consultation and communication to IAPC going forward. This includes not only the Consultative Advisory Group meetings and IAPC's regular newsletters and other communications vehicles, but also a programme of face-to-face meetings and ongoing consultations to manage IAPC's relationships with regulators, national standard-setters, and other key stakeholders.

We had envisaged the importance of these functions in our draft Report in our recommendation to elevate the role of the Chair to substantially a full-time occupation in light of his or her increased role as public spokesperson for IFAC on IAPC matters. We continue to believe that the Chair position will need to be essentially full-time. We have further recognised the importance of the consultative process in our final Report by strengthening the recommendations on how communications might be improved.

In our draft Report, we also proposed introducing the position of Vice Chair to support the work of the Chair. While there was support for a Vice Chair role, responses expressed concern regarding the lack of transparency if the Vice Chair is selected by the Chair alone. We acknowledge these concerns and have amended our final recommendations. Since the Chair and Vice Chair will need to work closely together, we believe that the Chair's input on the selection of the Chair is vital, but accept that the Vice Chair appointment should go through normal approval processes. Thus, although we would expect the Nominating Committee would consult with the Chair, we agree that it should be the Nominating Committee that ultimately puts the nomination forward to the IFAC Board for approval. Furthermore, while we do not believe that the Vice Chair should

necessarily be considered the designated successor of the Chair, we accept that such a possibility should not be disallowed.

Planning Sub-committee

Responses reflected unease regarding the proposed responsibilities for the Planning Sub-committee. There was concern expressed that the Planning Sub-committee would be essentially usurping responsibilities of IAPC itself – a concern that was heightened given the fact that meetings of the Planning Sub-committee would not be opened to the public.

In our final Report, we have clarified the responsibilities that we foresee for the Planning Sub-committee. We agree that IAPC should retain responsibility for interpretative guidance and for approving new projects that are added to its agenda. On the other hand, we can envisage the need for a strong planning function under the new regime and believe that the Planning Sub-committee's current role can be appropriately expanded to assist in that regard. The Planning Sub-committee can, for example, be responsible for preparing IAPC's long term plan and advise the Chair on establishing and managing priorities and on effectively dealing with agenda logistics and efficiencies.

Other important issues

Nominating Committee

A number of respondents commented on the key role that the Nominating Committee plays in the selection of IAPC, and other IFAC Committee, members. It is for this reason that we had emphasised in our draft Report that its work is crucial to the success of IAPC's goal of being seen to operate in the public interest, as well as to the successful implementation of our recommendations. It became apparent in the responses that a surprising number of stakeholders are not fully familiar with the Nominating Committee's membership, charter and operational activities. A number of responses specifically requested greater clarity on the Nominating Committee's terms of reference given the importance of the role that it currently plays and will be called upon to play in the future. Others, such as the World Bank, emphasised that proper public interest oversight of the Nominating Committee is essential.

The membership, organisation and processes of the Nominating Committee are beyond our terms of reference. However, we reiterate our view that they are critical to the successful implementation of our recommendations and IFAC's ability to demonstrate that IAPC operates in the public interest. For these reasons, we urge IFAC to address the concerns raised in the responses regarding the Nominating Committee's role and structure.

Public Sector Auditing

We have recommended adding a public sector representative as a "non-auditor" member (i.e. an individual that is not an auditor in public practice) because we believe that it would be useful for IAPC to have a public sector point of view in IAPC's deliberative process.

A number of responses, including the World Bank and the IFAC Public Sector Committee itself, suggested that IAPC should assume responsibility for setting auditing standards for the public sector as well as for the private sector.

The IFAC Public Sector Committee (IPSC) currently has responsibility for public sector auditing standards. In practice, this is achieved by providing a public sector perspective (PSP) on the applicability of the ISAs to the audit of financial statements of public sector entities. In our view, the process is working reasonably well.

Our terms of reference did not include consideration of the scope of IAPC's responsibilities in this regard and for that reason we have not addressed this issue in our final Report. IFAC may want, however, to revisit the respective responsibilities of IAPC and the IPSC in the future.

Timing of implementation

We are aware that there are a number of other important IFAC initiatives under way that will influence IAPC's activities in the future, including the creation of the new Public Oversight Board and the compliance activities of the Transnational Audit Committee. Indeed, a number of respondents commented on the importance of these initiatives to the overall strategy. These IFAC initiatives are key to the world-wide accountancy profession's self-regulatory regime and are important in creating the foundation necessary to support quality audits in future. As we emphasise in our final Report, quality auditing standards alone do not beget quality audits.

We understand, and appreciate the reasons why, these companion initiatives may take time to put into place. In our view, however, there are no reasons why the changes that we propose to IAPC's membership, organisation and processes need to be delayed pending further progress on these companion initiatives. In fact, we believe that there is a compelling need to move forward with them. IAPC is at an important threshold. With increased interest in the ISAs by not only member bodies, but also influential organisations including IOSCO and the EU, IAPC needs to be seen as continuously improving its processes so that stakeholders are confident that their support for the international auditing standard process is warranted. Delaying the necessary reforms to IAPC's membership, organisation and processes could delay IAPC obtaining the recognition it strives for. We encourage IFAC to implement our recommendations, including making necessary changes to IAPC's terms of reference (which might more appropriately be referred to as a "charter" if IAPC becomes a Board), as soon as practicable.

Given the extent of public interest in this review, we are of the view that our final Report should be disseminated publicly to ensure appropriate accountability to the many respondents to the draft Report. This could be achieved, for example, by posting our final Report and transmittal letter on IFAC's website.

We look forward to responding to any questions from the IFAC Board regarding our final recommendations at the 12–14 November IFAC Board meeting.

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The Task Force gratefully acknowledges the contribution of Diana Hillier in the analysis of the responses.

IAPC REVIEW TASK FORCE

Report and Recommendations

2 November 2001

To the Board of the International Federation of Accountants

In January 2001, the leadership of IFAC agreed that it would be appropriate to institute a comprehensive review of the membership, organisation and processes of the International Auditing Practices Committee (IAPC). It therefore established the IAPC REVIEW TASK FORCE with the terms of reference set out in the Appendix. After having exposed a preliminary report and after due consideration of the comments received the task force is pleased to submit this final report to the Board of IFAC.

1. Summary of principal recommendations

This report, throughout the sections that follow, contains a number of recommendations to improve the membership, organisation and processes of IAPC. The principal recommendations are summarised as follows:

- IAPC's objectives should be revised to clearly reflect that its goals are to develop auditing standards of high quality, and it should operate and be seen as operating in the public interest.
- Membership on IAPC should include five representatives from international audit firms, proposed by the Transnational Auditors Committee (TAC) of the Forum of Firms, ten from IFAC member bodies with a majority of those from countries with strong national standard-setters, and three non-auditor representatives. The Nominating Committee of IFAC should be responsible for ensuring a proper balance of countries and firms, always considering the "best person" for the role.
- IAPC should open its meetings to the public and make available its key agenda papers and minutes to the public. It also should make other changes to its procedures to enhance its efficiency and promote transparency.
- IAPC should prepare annual reports and develop a strategic plan for public commentary, and undertake more proactive public relations and technical activity, thereby enhancing its consultative process and image.
- IAPC should work closely with national auditing standard-setters on matters important to its goals, including undertaking joint and coordinated projects, thus promoting eventual convergence of standards for global acceptance.
- IAPC should take steps to make clear the authority of its standards and other guidance and initiate a project to examine any ambiguity as to such authority.
- IAPC should operate with adequate resources to sustain its activities and follow due process and transparency in carrying out such activities. For IAPC to sustain its activities and meet its goals, a substantial increase in its staff resources and funding is needed.
- IAPC's designation should be changed from "Committee" to "Board", and it should be renamed as the International Auditing and Assurance Standards Board.

Our terms of reference do not call for our Task Force to address the membership, organisation and processes of the Nominating Committee, the Compliance Committee or the Public Oversight Board. All of our recommendations are founded on the assumption that these bodies will operate effectively in the public interest. We have, however, recommended that the Board re-emphasise the public interest role of the Nominating Committee as it relates to IAPC, to ensure that committee is perceived as functioning with a public interest focus.

2. IAPC Objectives

In addition to issuing ISAs and guidance on their application, the objectives of IAPC include:

- “Promoting the adoption of the Committee’s pronouncements as the primary authority for the setting of National Standards and Guidance and for use internationally for cross border offerings”
- “Promoting the endorsement of International Standards on Auditing by legislators and securities exchanges”.

We believe that there is a compelling need for a single set of global auditing standards that will be accepted by regulators and lawmakers across the world. As security markets have become global and the cross-border issuance and trading of securities has expanded, the need has increased for international harmonisation of accounting, auditing and reporting standards. Now that IOSCO has endorsed international accounting standards, and the European Union and others have taken similar action, we believe that the time is right to fully recognise the importance of globally accepted standards on auditing. Clearly, it serves the interests of investors for there to be only one set of quality global auditing standards so that readers of financial statements accompanied by an audit report do not have to know the details of every country’s auditing standards before they can understand the full meaning of the assurances they are obtaining.

Quality auditing standards alone, however, do not beget quality audits. Quality audits also require a range of matters such as effective education and training, high ethical standards, excellent professional judgment and performance, and verifiable systems of quality control in addition to quality auditing standards. All of these are needed to ensure quality audits that meet the needs of investors, creditors and other stakeholders and serve the public interest.

Accordingly, we believe that the objectives of IAPC need revision and strengthening to make clear what goals it should strive to meet. We recommend that IAPC’s objectives be set out as follows:

“The objectives of the International Auditing Practices Committee are to:

- Establish auditing standards and guidance for financial statement audits of such high quality that they are acceptable to auditors, governments, securities regulators and other key stakeholders across the world, thereby strengthening public confidence in the global auditing profession.
- Establish assurance standards and guidance on both financial and non-financial matters
- Publish other papers on auditing and assurance matters, thereby advancing the public understanding of the roles and responsibility of professional auditors.”

Quality auditing standards should be sufficiently specific, understandable and definitive to influence and guide the judgments of auditors in designing and carrying out their work. They should be comprehensive in scope and establish a worldwide benchmark for the performance of high quality audits and should not be deemed a minimum or lowest common denominator level of audit standards. The standards should be applied in their entirety, regardless of jurisdiction, although national law or regulations may extend the requirements imposed by the ISAs.

In order for ISAs to be used around the world, they will have to be adopted or endorsed in each country by both the national auditing standard-setters and the regulatory authorities that establish the rules for securities offerings. We see encouraging signs of developments in those directions:

- A key stage in obtaining general acceptance would be endorsement by IOSCO of ISAs, particularly in relation to cross-border security offerings. We understand that IOSCO is expected to start a review of ISAs to determine whether, and under what conditions, such endorsement would be possible.
- The European Commission is considering the possibility of using ISAs as a tool for harmonising auditing standards in Europe.
- The US Panel on Audit Effectiveness recently wrote: “The breadth and quality of auditing standards vary from country to country. Regulators’ requirements also vary from one jurisdiction to the next. Consequently, one set of ‘international’ standards that could serve as minimum benchmarks for auditors regardless of domicile would be especially useful when an entity’s financial statements are used by investors outside of the country where the entity is domiciled. Consistency in the quality of assurances provided by audits would enhance the efficiency of cross-border financing and help promote a global marketplace for capital.”
- Trends in IFAC member body usage of ISAs demonstrate that the need for a global set of auditing standards is gaining momentum and support. With the growth of global capital markets, high quality internationally recognised auditing standards are seen to be essential for the effective and efficient functioning of the markets.

We believe that adoption or endorsement of ISAs by both national and international bodies is dependent on the fulfilment of the following conditions:

- IAPC develops standards of such an high quality that auditors, users, regulators and other key stakeholders all over the world can accept them.
- IAPC operates and is seen to operate in the public interest.

In order to fulfil these conditions it is necessary that

- IAPC operates using due process, and transparency.
- IAPC operates with adequate resources and can demonstrably sustain its capability to develop high quality standards for the foreseeable future.

These concepts are fundamental to our recommendations.

3. The Public Interest

Throughout our discussions, we have recognised the need for IAPC to meet the public interest. Auditing is a public interest activity; it provides assurance to those who use audited financial statements that an independent professional has performed sufficient work to express an opinion on the fair presentation of those statements. Without a proper audit process, the world's capital markets could not operate effectively. Serving the public interest requires the confidence of regulators in the process for establishing auditing standards, in their quality and in the way they are applied in practice.

Issues relating to compliance were excluded from the scope of our work, and our proposals assume that compliance is enforced through mechanisms such as the audit firms' own quality control practices and peer reviews, and is overseen by the TAC, the Compliance Committee and, ultimately, by an independent Public Oversight Board comprised of individuals with impeccable credentials.

We have considered whether regulators should be represented on IAPC itself. We have concluded that such an arrangement would be inappropriate. Getting the regulators involved in the detailed process of setting standards would bind the regulators into the output of IAPC and make it more difficult for them to fill their role of considering objectively the quality of the output of IAPC and making objective recommendations. We believe that they, and the Public Oversight Board, should be encouraged to observe and oversee the activities of IAPC, but not to manage them.

Our terms of reference recognise that IAPC may need to consider the adequacy of the processes by which members of IAPC are selected, the degree of openness of IAPC in preparing standards on auditing, the frequency of meetings and the possibility of accelerating the work programme, the adequacy of its resources and the efficiency of its processes. The Task Force recognises the importance of these issues and its recommendations are intended to respond to them.

Our terms of reference also state that IAPC should continue to be part of IFAC. We agree. The present structure means that it is easier for IAPC within IFAC to get the high quality technical resources it needs to fulfil its role. The main argument for making IAPC independent of IFAC is that it would make transparently clear that it was a public interest body. However, we believe that the recommendations in this report, together with the role of the Public Oversight Board, mean that it will be entirely clear that IAPC will operate as a public interest body so that there is no need to change the constitutional arrangements.

Serving the public interest has been paramount in developing the recommendations throughout our report.

4. Selection and composition of the IAPC

4.1 Selection criteria

Historically the IFAC Council appointed countries to IAPC membership and the member bodies in those countries agreed on the member and technical advisors that would represent that country. IFAC's nomination processes were amended in 2000, so that membership on IAPC would come through nominations submitted by individual member bodies. As audit firms are not members of IFAC per se, they were not eligible to submit candidates directly, but most of the member body candidates were partners of the large firms. In addition, some large member bodies have always been represented on IAPC. IAPC members generally serve two and a half-year terms, though some terms are renewed or extended. In 2000, IFAC introduced a plan for rotation of members on a three-year cycle, which is an approach that we support.

It is important, however, to note that IAPC's members are expected to act and vote in accordance with their own conscience, regardless of their affiliation, a policy that we believe should be continued. We believe that there should be three criteria for the selection of members:

- Best person
- Country balance
- Firm balance

We consider that "best person" should be the overriding criterion, because obtaining the "best" people to set the standards ensures their high quality. The IAPC work demands professional competence demonstrable in either of two important ways, but preferably in combination:

- Profound practical experience in the field of auditing, especially of entities with international operations
- If possible, background in auditing standard-setting and interpretation

These qualities are very difficult to source from other than individual auditors in public practice (or recently retired therefrom). Also, since the work of IAPC is based on the use of English as the common language, its members must master the technical vocabulary and be able to express themselves clearly in English.

However, in reality, and particularly where cross-border endorsement is concerned, we believe that too much *perceived* influence from one constituency is undesirable. This is a strong argument for securing a proper balance between countries and firms. In theory a case could even be made for setting a fixed limit to the participation from one country, but from time to time exceptions likely would become necessary from a standard-setting point of view in order to attain the "best person" goal. Given the new three-year rotation policy, any perceived imbalances should be able to be rectified within a year's time. We believe, however, that some flexibility that permits extensions of terms or renewals is advisable.

Experience shows that candidates nominated for IFAC work by member bodies and other interested parties invariably tend to be very able and experienced professionals. We have come to the conclusion that the "best person" requirement could be satisfactorily achieved by exposing candidates, nominated on a country and firm basis, to a rigorous top-level screening procedure. Our proposal, therefore, is based mainly on the country and firm-balance criteria, with the Nominating Committee having the power to assess and to confirm or reject any candidate, regardless of the constituency proposing the candidate.

4.2 Number of members

The IAPC currently consists of fourteen members, including the Chair. The future size depends to a certain extent on the representational issues. Although experience seems to show that the present size works well, we recommend, in order to optimise representation, an increase to eighteen members. For reasons explained in section 4.3, three members should be other than auditors in public practice. Among the fifteen auditors, five should come from major audit firms and be proposed by TAC, and a majority of the other ten should come from countries where member bodies have experience from particularly well-developed national standard-setting procedures. This membership composi-

tion would continue to permit representation by auditors from countries where member bodies do not benefit from well-established national standard-setting procedures, and auditors from smaller audit firms.

4.3 Non-auditor members

Our terms of reference state that the setting of ISAs should remain in the hands of the IAPC, as a committee of IFAC, but they accept the possibility of opening IAPC to non-auditors, that is, to individuals that are not auditors in public practice. We have come to the conclusion that IAPC would benefit from the perspective and experience of a limited number of non-auditors, and that they would increase transparency and credibility in the eyes of third parties.

We suggest the following potential constituencies as sources of non-auditor members of IAPC:

- Academics
- Users of financial reports
- Public sector representatives

These constituencies are, of course, not mutually exclusive.

Academics provide a link to research in the professional area and can contribute to a scientific, systematic approach to the standard-setting work. *Users*, by definition, are the ultimate beneficiaries of high-quality, uniform standards, including international financing organisations who represent a specific constituency of users. The *public sector* uses similar standards on auditing, a fact that is already recognised by IAPC through the “Public Sector Perspective” that is attached to ISAs.

We propose that one representative each of the academe, the users (perhaps a Chair of an Audit Committee or a similar governance body in a listed company) and the public sector be included. We do not propose distinct nomination procedures for these members. Searching for non-auditor members and proposing them to the Board should be a task for the Nominating Committee, which is, of course, free to ask appropriate member bodies or others for advice.

4.4 Auditor members

4.4.1 Countries

As an “international” standard-setting body, IAPC needs to have broad international representation in its overall composition. However, given the importance of the objective to obtain endorsement of the ISAs by IOSCO, it would be advantageous to ensure that countries with advanced national auditing standard-setting procedures be represented on IAPC, since promoting strong links between the national standard-setting bodies and IAPC is increasingly important. Within the overall international representation on IAPC, we believe that the majority of ten seats should be assigned to individuals from such member bodies. These individuals should be asked to act as liaisons with their respective national standard-setters to promote the harmonisation and convergence of international and domestic auditing standards.

4.4.2 Firms

ISAs are intended for audits of financial statements of entities ranging from large to small, carried out by audit firms ranging from large to small. However, although some representation of small audit firms on IAPC is undoubtedly essential to the credibility of IAPC in the eyes of some interested parties, it would be sensible to reserve a reasonable number of seats for members from large international firms. There is little doubt that the practical experience necessary for developing ISAs is mainly to be found in the large firms. Consequently, it is both in the interest of IAPC itself and in the public interest to ensure that it can benefit from that expertise and from the pool of technical resources that the large firms can bring to bear.

We do not believe it advisable to tie reserved seats on IAPC to individual firms. Such an arrangement would call for IFAC to identify a small number of firms that would be publicly stamped as qualified for nominating IAPC members. Instead, we recommend that the Transnational Auditors Committee (TAC), as the executive arm representing the Forum of Firms, be entrusted with nominating candidates for five seats.

4.4.3 Firm/country balance

With five seats reserved for TAC proposals from large firms and a majority of the other ten seats for member bodies of the countries discussed in section 4.4.1 above, we suggest that a key factor in the decisions of the Nominating Committee will be to ensure that there is a reasonably broad representation of both firms and countries in the proposals that they make for the membership of IAPC.

This principle of firm/country balance is not intended to preclude the Nominating Committee from selecting an individual from a firm or country that is already represented. For example, an individual from a particular country member body should not be precluded from serving as an IAPC member if the TAC has also nominated an individual from the same country, or vice versa. If the Nominating Committee believes it necessary, it can always first ask a country member body, and secondly TAC, to submit additional substitute candidates that might help achieve the desired balance. Proper balance is a judgmental matter, and we would urge the Nominating Committee to (a) take into account the practicalities of getting additional qualified candidates in these circumstances on a timely basis and (b) recognise that with the three year rotation process, perceived imbalances can be adjusted over time, often in the following year.

4.5 Nominating Committee

Our terms of reference do not address all aspects of the role of the Nominating Committee and its work. That work is, of course, crucial to the success of IAPC's goal of serving the public interest, and the Nominating Committee will be essential to the implementation of our recommendations. We recommend that the Board re-emphasise the public interest role of the Nominating Committee as it relates to IAPC, to ensure that committee is perceived as functioning with a public interest focus.

The final decision on what recommendations are to be submitted to the Board of IFAC on the membership of IAPC should be made by the Nominating Committee. We do not believe that there should be fixed rules as to how the Nominating Committee should perform its role but we do believe that there are some questions it should consider in its deliberations, including:

- Is there a reasonably broad representation of countries on IAPC?
- Is there a reasonable breadth of international knowledge and resources from the firms represented on IAPC?
- Is there an adequate representation of auditors of small entities and smaller firms of auditors?
- Do the non-auditors possess appropriate credentials and interest in the subject of auditing and will they commit sufficient time to fulfil their role?

4.6 The role of the Chair

As IAPC moves towards recognition by regulators and others, we see an increasing need to manage relationships with key stakeholders and to both communicate and publicise IAPC's strategy, priorities and pronouncements. This need will further elevate the role of the Chair as the public spokesperson for IFAC on IAPC matters. We believe that the Chair should be recommended for appointment to the IFAC Board by the Nominating Committee and should serve in such role for three years, re-appointment being possible once, using the same process.

Currently, chairing the IAPC consumes a considerable part of a professional's working time. With the increased demands following our proposals, for example increased public relations, we believe that the Chair position is substantially a full-time occupation.

In order to help handle the workload we further propose that a Vice Chair be appointed to support the work of the Chair. The Vice Chair should be identified in consultation with the Chair and recommended to the IFAC Board by the Nominating Committee for appointment. The Vice Chair should not necessarily be regarded as the designated successor of the Chair, and although the time demand would be significant it would not need to be full time. If the Chair and Vice Chair were appointed from different geographic areas, liaison and speaking engagements could be shared to minimise travel and other logistical difficulties.

5. The consultative process

The present consultative process of the IAPC for evaluating the direction of its agenda and the direction of its projects includes a Consultative Advisory Group (CAG), the input of IAPC members and technical advisors, and circulation of exposure drafts of new standards to member bodies and other interested parties.

The CAG meets once a year for two days and consists of representatives of such groups as IOSCO, the European Commission, the World Bank, the Basel Committee, the Information Systems Audit and Control Association (ISACA), the International Accounting Standards Board, the Institute of Internal Auditors and the International Bar Association. We have the impression that the group works well and that most attendees themselves are satisfied with their opportunity to influence the working programme of IAPC. IAPC, in turn, values the input from the CAG, and it believes that it is responsive to such input. The IAPC members and technical advisors, who draw from a large network of member body contacts and are aware of what audit firms, academicians and national auditing standard-setters are doing, also are instrumental in influencing the direction of the IAPC.

Exposure drafts are supplemented by press releases, and the drafts are made freely available on the IFAC website. Although the majority of the exposure draft recipients never respond, some key parties always provide useful comments, observations and recommendations. IAPC considers all of these in detail and believes that it is responsive to them.

Some improvements may be possible in the consultative process. The Chair and Vice Chair should actively manage the relations with key stakeholders and consider expanding the composition of the CAG, providing a strategic plan of IAPC to the CAG, asking other interested parties (including the general public) for input into the strategic plan and work programme of IAPC, arranging theme meetings, and developing further the utilisation of the web to share information. In addition, IOSCO, the EU and others should be encouraged to suggest improved procedures for CAG, and the Planning Sub-committee should consider, in consultation with CAG, whether to open the CAG meetings to the public.

6. Transparency

6.1 Opening meetings to the public

The meetings of the IAPC currently are open only for members, technical advisors, invited observers and IFAC staff. Agenda, agenda papers and minutes are not publicly available.

Experience from some standard-setting bodies that have made their meetings open to the public shows that in practice the number of public observers who choose to attend is very small. On the other hand, experience also shows that members do not feel restricted by the public presence, and that the discussion remains as candid and free as before.

We believe that opening meetings to the public serves as an important symbol of transparency and thus could help pave the road to general endorsement of the standards. We therefore recommend that IAPC meetings be made open to the public, that key agenda papers be published, preferably on the web, at least two weeks before each meeting, and that minutes from such meetings be published as soon as they are completed.

However, it must remain possible for IAPC to discuss agenda planning activities, project staffing, meeting logistics and other similar matters at closed sessions, and to exclude the related documents, including the minutes, from publicity. Furthermore, a balance has to be drawn between involvement of the public, including organisations representing key stakeholders, as observers versus the direct participation of observers in the activities of IAPC's sub-committees, task forces and working parties. Sub-committees have as their legitimate responsibility to explore all possible options when developing their positions. New ideas may well be explored and then rejected, and we do not believe that observers need to monitor or participate in such preliminary debates. For that reason, we do not consider it appropriate to open meetings of sub-committees, task forces and working parties to the public.

We also recommend that the IAPC publish all comments on exposure drafts on the website as soon as the comment period is over, and in principle not accept comments that are submitted with restrictions against publishing. This will help avoiding any suspicions about the undisclosed influence by anyone on the outcome of IAPC's deliberations. In addition, all of IFAC's member bodies should be asked to circulate all IAPC exposure drafts in their jurisdictions and solicit input from key stakeholders and provide IAPC with a summary and analysis of comments received.

It is customary for the IAPC to accept invitations from member bodies to meet in different countries. Although we appreciate that this practice may be beneficial to the relations with member bodies, we note that opening meetings to the public is meaningful only if the IAPC normally meets in major centres close to easily accessible airports. We therefore recommend that the IAPC set its own venues and make its own meeting arrangements. Furthermore, as meetings would be held in a smaller number of locations, it would be a burden to the national bodies in those locations to be expected to be responsible for those arrangements. Thus, relationships with the national member bodies would be limited to normal professional and courtesy arrangements. IAPC should continue to offer the national member bodies the opportunity to provide educational seminars or technical updates as deemed practicable.

We have discussed the possibility of public hearings on specific IAPC issues or on its agenda and priorities. In practice such hearings would be available only to a geographically limited audience, and so may not be suitable as a general means of consultation. If, in a certain situation, the IAPC were to see a need for a public hearing on a particular topic there is, of course, nothing to prevent it from organising one.

6.2 External reporting

We recommend that the IAPC should prepare an annual report, written for an interested audience without profound technical knowledge and endeavouring to present a scorecard of IAPC's performance. Although a printed report in limited quantities would be the natural outcome of this recommendation, a broad distribution and continuous availability via a web-based report also is envisioned.

7. Role of national standard-setters

In addition to strengthening the structural link between IAPC and the national standard-setting bodies (as discussed in section 4.4.1) we believe that it would be strongly desirable that representatives of countries with particularly well-developed national auditing standard-setting procedures are members of the IAPC.

It would also be strongly desirable to go one step further and endeavour, to the extent possible, to integrate the work of the national standard-setters with IAPC's own work. The best way to achieve this would be to establish a partnership between IAPC and individual national standard-setters in preparing and issuing standards. This would enable IAPC to benefit directly from the work done by national standard-setters with advanced agendas and important resources, but also put in place the relationships that will be vital to promote convergence through shared goals and aligned agendas.

IAPC and the national standard-setters could review IAPC's work plan and decide how to allocate responsibility for the preparation of documents. IAPC itself will want to lead many projects – especially those which are likely to be sensitive. But there will be some subjects which could be allocated to national standard-setters to lead. In addition national standard-setters could be asked to publish for comment in their own countries IAPC's exposure drafts – perhaps supplemented by guidance on national issues.

It is our impression that there are significant opportunities today for convergence with the United States that did not previously exist. The IAPC has already begun to cooperate with the U.S. standard-setters on some issues as well as to undertake joint projects, and we are encouraged by these initiatives. We strongly recommend that the IAPC continue this process on an accelerated basis by identifying topics on the current U.S. agenda that IAPC can effectively leverage, and take on an increasingly important role in working with or coordinating its activities with other national standard-setters. IAPC should ensure that it leverages all of these resources to accelerate the achievement of its objectives.

In developing processes to work with other standard-setters we see significant advantages to being flexible as to how the coordination could take place. For example the following alternatives should be considered:

- Use of a joint task force, working group or subcommittee to address particular subjects
- Parallel or coordinating activities among IAPC and one or more national standard-setter
- Passing the research and drafting responsibilities of a topic to one or more national standard-setters
- Passing the complete responsibilities of a typical IAPC subcommittee (task force) to one or more national standard-setters, of course subject to deliberation and voting by IAPC

Partnering with national standard-setters would contribute significantly to the global acceptance of the output of IAPC and help IAPC at a time when it is expanding its work programme. Integrating the work of national standard-setters with its own will not be an easy task, however, because of the differing priorities and objectives of both the standard-setters and the IAPC. The task requires the leadership of the Chair and the Vice Chair in working towards the harmonisation of priorities and objectives.

8. Procedures

8.1 Scope of work

We have noted that the scope of the work of the IAPC is very broad and its current projects are complex and time consuming. We fully support its recent decision to defer certain “assurance standards” projects and concentrate its efforts on financial statement auditing issues, including the review of existing ISAs and the development of new ones. However, we consider that IAPC should continue to be responsible for assurance standards as well as ISAs and that the proposed increase in staff resources should allow IAPC to resume its work on assurance standards in the relatively near future.

8.2 Planning Sub-committee

Historically the Planning Sub-committee of IAPC has played a limited role in IAPC activities. We propose that the role of the Planning Sub-committee be expanded, having its new focus on the long-term plan of IAPC and on advising the Chair on establishing and managing priorities and on effectively dealing with agenda logistics and efficiencies. The Planning Sub-committee should normally meet between IAPC meetings and not only in conjunction with IAPC meetings. Telephone conferences or other forms of interactive meetings also could be helpful in providing the time resources required for the purpose.

The Sub-committee’s expanded responsibilities also could include advising the Chair on adding topics to the IAPC agenda for approval by IAPC, on assigning individuals with relevant skills to sub-committees, task forces and working parties, on the oversight of the management and efficiency of IAPC meetings, and on developing both the short and long term work plans for subsequent approval by IAPC. The Planning Sub-committee could also monitor the coordination of IAPC’s work with that of the other IFAC committees.

We recommend that the long-term work of the IAPC be described in a formal strategic plan. The plan should be prepared by the Planning Sub-committee, submitted to the IAPC and exposed to the CAG, member bodies and other constituencies. This is intended not only to promote IAPC’s public image, but also to enhance its consultative activities.

8.3 Authority and hierarchy of IAPC standards and statements

The authority of IAPC’s standards should be clear and unequivocal, thereby properly serving as benchmarks for compliance by auditors in performing and reporting on their work. Currently, ISAs contain basic principles and essential procedures in bold type black lettering, together with related guidance in the form of explanatory and other material in grey lettering. In order to obtain international endorsement it is essential for IAPC to identify, analyse and eliminate any ambiguities as to the proper interpretation of black and grey lettering that may exist among regulators and other constituencies. We recommend that IAPC undertake a project to address the authority and hierarchy of its standards and statements and to eliminate any ambiguities related thereto. Similar issues have been raised regarding international accounting standards, and the International Accounting Standards Board (IASB) is currently exposing a proposal to change the black/grey lettering structure of its standards. The experiences from that review could be useful in the project.

8.4 International Auditing Practice Statements

Apart from ISAs, IAPC also issues International Auditing Practice Statements (IAPS) to provide practical assistance to auditors in applying the ISAs. Since by their nature IAPSs do not introduce new auditing standards, we recommend that the review and approval process be streamlined in order to improve efficiency and that any constitutional changes needed to put this recommendation in place be made.

As IAPC continues to develop high quality standards it will also need to provide practical guidance and interpretation, including perhaps industry and subject matter-specific guidance. Such guidance would be of particular value to auditors in those parts of the world where auditing practice is still developing. Furthermore, on a broader level, IFAC will need to address its role in meeting the needs of auditors in the implementation of standards through educational and training activities.

8.5 Planning, frequency and duration of meetings

The IAPC meets three times a year. Including subcommittee work each meeting lasts for one week, but the full committee time is about two and a half to three days during the week. The Planning Sub-committee generally meets immediately before or during the IAPC meetings.

We recommend that the meeting frequency of IAPC be flexible and determined taking into account the workload during each period. Given the present workload we propose that the meeting frequency be increased to four times a year, and we understand that there is strong support among the present IAPC members for such a change. IAPC has already planned a fourth meeting in calendar 2001. We also recommend that IAPC keep under review the possibility of holding additional meetings as needed.

We have discussed the present format of meetings, using one full week for sub-committee and full committee meetings, in particular considering the expenditures and time consumption for the purpose by members travelling from all over the world. We have come to the conclusion that the present procedure allows for flexibility and efficiency to an extent that we regard as more important than the disadvantages. Thus, we propose no change. As in the case of the Planning Sub-committee we would encourage sub-committees to continue the use of telephone conferences or other interactive meeting forms between the meetings as appropriate.

8.6 Attendance and privilege of the floor

Currently each of the IAPC members is entitled to bring up to two technical advisors who have the privilege of the floor but no voting right. In addition, as part of the IFAC Strengthening Initiative two observers have been appointed with the privilege of the floor but without voting rights.

We can see the value of technical advisors, and in our view each member should have the option to bring one technical advisor with the privilege of the floor to meetings. Also, technical advisors could be included as full members of sub-committees and task forces.

As soon as the new nominating procedures for TAC candidates have been implemented the two observer positions appointed by the large firms should be eliminated.

8.7 Exposing and voting procedures

The present terms of reference state that a pronouncement can neither be sent for exposure nor be made a definitive pronouncement unless supported by a three-quarter majority of those appointed to the Committee, consisting of no less than ten votes. Dissident opinions are not included in a pronouncement passed by a majority. The reason or basis for such opinions is included, at the request of the member, in the minutes.

Requirements for three-quarter majority decisions obviously tend to slow down the standard-setting process, as it is necessary to convince more members before a pronouncement can be passed. Since ISAs are meant to be “generally accepted”, we find it natural to demand broad acceptance within the IAPC, and thus do not recommend a change. The number of members having been increased to eighteen, three-quarters would be interpreted as fourteen. Should there

be vacancies on the IAPC at any given time, the necessary voting majority would be three-quarters of the current number of members (thirteen if there were only seventeen members, etc.).

We propose that, since issues that are agreed on in principle may not be entirely finalised at a meeting, ISAs should be subject to a subsequent written ballot. We also propose that final editorial adjustments to a standard could be delegated to the technical director and the Chair.

IAPC should consider the needs of national standard-setters in determining the exposure periods, facilitating and encouraging simultaneous national exposure. Some countries may need time to translate documents into their own language.

We acknowledge that IAPC should always have under review whether its exposing and voting procedures continue to be effective, and make changes to them when deemed advisable.

8.8 Time commitment

The current time demand on members can be estimated at a minimum of 400—500 hours, sometimes substantially more due to additional hours being required for work in sub-committees and task forces. While we propose an additional meeting, we believe that this increase in meeting time can in part be compensated by better efficiency, such as improving the quality of the agenda material presented to those meetings (through considerably strengthened staff support). Thus, we believe that the estimate above is probably still broadly reasonable.

8.9 Remuneration

With the Chair spending substantially full time on the IAPC we believe it appropriate to consider remuneration to him or her. We are not proposing a fixed amount because we believe a certain degree of flexibility is advisable.

We also propose that all reasonable out-of-pocket expenses connected with IAPC should be reimbursed to members (but not to technical advisors). We recommend that the present practice of not remunerating members for time be continued with the possible exception of the non-auditor members who may require special consideration.

9. Staff support

Currently, staff support is provided by a part-time Technical Director, by permanent staff based in New York and other cities equivalent to four full-time persons, and by loaned staff.

We believe that the IAPC should have a full-time Technical Director with responsibility to assist the Chair in planning, coordinating and managing IAPC's strategic and operating plans, including standard-setting, liaison and promotional activities. In doing so, the Technical Director would oversee the development of the standard-setting projects (including implementing appropriate processes to ensure the quality of agenda materials and of IAPC's pronouncements), manage IAPC's budget, and recruit and manage IAPC's staff. We estimate the need for permanent staff to be six full-time managers, as well as loaned staff as appropriate.

10. Public Relations.

To help IAPC demonstrate its transparency, we recommend that greater attention be given to public relations. We see that one of the roles of the Chair should be to have a high international profile, publish articles and be a speaker at international meetings. Accordingly, we recommend IAPC to establish a public relations policy, and to ensure that the Chair has the appropriate qualities to carry out this role.

We draw attention to Section 8.2 above and suggest that the strategic plan could be a valuable instrument in making the efforts of IAPC known, e.g. by meetings with regulators.

11. Publication and distribution

IAPC should consider how to make its output easily available to interested parties, not only through its website, but also through publication around the world. We are concerned that the current practice of issuing a Handbook annually as the primary vehicle to disseminate IAPC's standards and guidance is significantly hindering IAPC from issuing necessary guidance on a timely basis. New standards have effective dates that are a year or more after their issuance, in part due to the fact that some practitioners rely on the Handbook as their primary resource. The current time periods required before a new ISA or IAPC becomes effective are unlikely to be acceptable to regulators. Priority needs to be given to identify ways to disseminate new standards and guidance on a more timely basis.

In addition, as the ISAs become accepted as the standards in legal and disciplinary actions against auditors, it will become increasingly important for IAPC to have appropriate policies and processes to document and archive changes to ISAs and IAPCs as they are updated over time.

12. Translations

While the actual translation of ISAs will have to be the responsibility of IFAC member bodies or national standard-setters, the quality of translated material is crucial to the consistent application of ISAs and IAPCs worldwide. Since similar considerations apply to the Code of Ethics, the International Education Guidelines and other IFAC pronouncements, this must be regarded as an IFAC rather than an IAPC issue. We recommend that it be ascertained that the quality of ISA and IAPC translations is explicitly within the scope of work of the Compliance Committee.

What IAPC should do is to assist member bodies and others responsible for translations. Such assistance could include

- Suggested procedures for control of translation quality
- Guidelines for coping with known difficulties

The experiences of IASB and member bodies with well-developed translation procedures should be explored.

13. Renaming IAPC as a Board

There are two types of standard-setters that are very visible to the public and regulators, those that set accounting standards and those that set auditing standards. We recommend that IAPC's designation, in parallel with the International Accounting Standards Board, be changed from "Committee" to "Board", and that it be renamed as the *International Auditing and Assurance Standards Board*. This would send a signal to all of IAPC's stakeholders that quality auditing standards rank among the highest priorities for the global auditing profession.

14. Transitional issues

If our proposals are implemented, some transitional issues that will have to be considered are:

- The potential impact on ongoing projects: It is important that ongoing projects are not unnecessarily interrupted by changes in task forces or sub-committees.
- Organisational changes should be harmonised with the general rotation process.
- The Nominating Committee should make use of the Chair's experience and knowledge of the current IAPC members, and the time members have already served on IAPC should be considered.
- A decision regarding staffing should be made as early as possible to let IFAC start appropriate recruiting.

15. Financial implications

Our terms of reference do not require proposals regarding the funding of the IAPC work, but we have estimated the cost increase that we anticipate as a consequence of our proposals. Incremental costs, including travel support for members and remunerations for IAPC Chair and certain members, as well as staff costs and overhead costs, can be estimated to US\$ 3,000,000 annually, in addition to the present cost of US\$ 1,200,000.

16. Periodic review of IAPC's processes

We recommend that IFAC review the effectiveness of IAPC's processes periodically – perhaps every three or five years.

17. Approval and implementation of recommendations

We recommend that this report be approved by the IFAC Board and that the necessary changes to IAPC's terms of reference, or charter, be made as soon as practicable to implement the recommendations. There are a number of other important IFAC initiatives under way that will influence IAPC's activities in the future. These initiatives are key to the worldwide accountancy profession's self-regulatory regime and are important in creating the foundation necessary to support quality audits. Understandably, it may take time to put these initiatives in place. However, we believe that all of our recommendations are capable of being implemented in the immediate term, and we do not believe that these initiatives pose significant obstacles for doing so.

Because of the interest in this report to many stakeholders, we believe it should be disseminated publicly.

We look forward to responding to any questions from the IFAC Board regarding this report.

Manuel Sanchez y Madrid
Chairman

Philip Ashton

Richard Dieter

Denise Esdon

Dietz Mertin

Edmund R. Noonan

Ian Plaistowe

Gérard Trémolière

Björn Markland
Secretary

TERMS OF REFERENCE

Background

IAPC is a key IFAC Committee responsible for the development of International Standards on Auditing. IOSCO, representing the International Securities Regulators, has started a review of international standards to determine whether and under what conditions they would be able to endorse those standards. Based upon the conclusions reached by IOSCO in respect of International Accounting Standards and IASC, there are likely to be comments in respect of the content of individual standards, the coverage of international standards, the extent of compliance with standards and the membership, organisation and processes by which IAPC arrives at the standards. The European Commission and other agencies are also likely to be interested in such issues.

The leadership of IFAC, in discussion with the major firms, has agreed that it would be appropriate to institute a comprehensive review of the membership, organisation and processes of IAPC as a matter of urgency.

It has also been agreed that the Task Force should not consider technical issues or issues related to compliance with international standards. Given the central importance of International Audit Standard setting to the public interest objectives of IFAC, it is important that IAPC remains as an integral part of IFAC.

Terms of Reference

The objective of this review is to ensure that the IAPC meets the anticipated requirements of regulators and other external observers in terms of its efficiency, transparency and credibility as the recognised international auditing standard setter, within IFAC.

The Task Force should, accordingly, consider what changes in the selection, composition, processes and working practices of the IAPC are required to achieve this objective and, in so doing, should consider *inter alia*:

- The adequacy of membership selection processes
- The desirability of widening the spectrum of interests within the IAPC and of opening membership to non-members of IFAC member bodies
- The efficacy of the present consultative processes
- The desirability of opening meetings to the public and the holding of public hearings
- The desirability of liaison with national standard setters and of their being members of the IAPC
- Acceleration of the work programme, through outsourcing, increased numbers of sub-committees and groups of experts (whether members of the IAPC, or not) and otherwise
- The frequency and duration of meetings, the time requirements on members and the desirability of one or more members and/or the Chair being full-time and remunerated
- The adequacy of full-time and other technical resources available
- The need for translation of ISAs into key languages

The Task Force should seek to anticipate the requirements of securities and other regulators, by reference to their input in relation to international accounting standard setting, but without consulting them at this stage. It is hoped that the Report of the Task Force will enable IFAC to present a clear, coherent and credible proposal to regulators that will encourage IOSCO to accept that the setting of ISAs should remain in the hands of the IAPC as a committee of IFAC, and to move towards endorsement of ISAs.

The Task Force is invited to make an initial report to the Board of IFAC at its meeting on 8–11 April 2001, with a view to the submission of a final report to the Board at its meeting on 8–11 July 2001.

Tsuguoki (Aki) Fujinuma

President, IFAC