



Charter

PREAMBLE – THE MISSION OF THE MONITORING GROUP

WHEREAS the Monitoring Group has been founded by The International Organization of Securities Commissions (IOSCO), The Basel Committee on Banking Supervision (BCBS), The International Association of Insurance Supervisors (IAIS), The European Commission (EC) and the World Bank in view of enhancing international audit quality in order to strengthen confidence in the audit of financial statements, in particular, those of public companies;

WHEREAS, audit, ethics and education standards for accountants developed in the public interest are essential to enhance the confidence in the audit of financial statements of public companies and other companies;

WHEREAS, in recognition of this imperative, under the aegis of the Monitoring Group, the International Federation of Accountants (IFAC), whose Public Interest Activity Committees (PIACs): the International Auditing and Assurance Standards Boards (IAASB), the International Ethics Standards Board for Accountants (IESBA) and the International Accounting Education Standards Board (IESB), which, respectively set international standards on auditing and assurance, ethics and education for accountants, adopted a set of reforms in 2003 (IFAC Reforms, attached as Appendix E) that were designed to ensure that the IFAC PIACs issue standards for accountants that reflect the public interest and monitor member body compliance with related obligations;

WHEREAS, the Public Interest Oversight Board (PIOB) was created as part of that reform to ensure that public interest is properly taken into account by the PIAC's standards setting process.

The current members of The Monitoring Group:

RESOLVE THAT THE MONITORING GROUP'S MISSION IS TO:

cooperate in the interest of promoting high-quality international auditing and assurance, ethical and education standards for accountants;

monitor the implementation and effectiveness of the IFAC Reforms, and in that connection, to undertake an effectiveness assessment of the IFAC Reforms and other aspects of IFAC's operations that involve the public interest;

through its Nominating Committee, appoint the members of the Public Interest Oversight Board (PIOB);

monitor the execution by the PIOB of its mandate. Consult and advise the PIOB with respect to regulatory, legal and policy

developments that are pertinent to the PIOB's public interest oversight;

convene to discuss issues and share views relating to international audit quality as well as to regulatory and market developments having an impact on auditing;

AND DECIDE to carry out this mission as governed by the present Charter.

Article 1 Description of the Monitoring Group

- A. The Monitoring Group is a group of regulatory and international organizations committed to advancing the public interest. It meets this objective by supporting the development of high quality international standards for auditing and assurance and accountant ethics and education, and by exchanging views relating to international audit quality, regulatory and market developments having an impact on auditing.
- B. The Monitoring Group includes members and observers as set forth at Appendix A. The Monitoring Group may in the future include representatives of other regulatory and international organizations as members or observers in accordance with Articles 4 & 5 of this Charter.
- C. The Monitoring Group is not a policy-making entity and is not a legal entity.

Article 2 The Role and Duties of the Monitoring Group

- A. **2003 IFAC Reforms and Operations of the PIOB**
 - 1. The Monitoring Group monitors the implementation of the 2003 IFAC Reforms in general. It monitors how the PIOB is carrying out its public interest role in the reform process with particular regard to the PIOB's oversight of the standard setting process.
 - 2. The Monitoring Group may at any time make recommendations to IFAC and / or the PIOB.
 - 3. The Monitoring Group members will receive a draft of the PIOB Public Report and be afforded a minimum of two weeks to review and provide comments, in accordance with Appendix D.

4. In the event that IFAC raises an issue of concern with the factual content of the PIOB Public Report, the Monitoring Group will act as an intermediary to resolve the dispute.
5. The Monitoring Group will consider for approval an annual or supplemental budget presented by the PIOB in accordance with the requirements of Appendix C of this Charter.
6. The Monitoring Group will receive the audited financial statements of the PIOB's Spanish Foundation (*Fundación Consejo Internacional de Supervisión Pública en Estándares de Auditoría, Ética Profesional y Materias Relacionadas*).
7. The Monitoring Group will receive from the PIOB after each PIOB operating year an actual versus plan expenditure report for the preceding year to facilitate a variance analysis.
8. Member of the Monitoring Group will separately review the prior year's actual-to-plan information, supported by a copy of the PIOB Foundation's audited financial statements, for purposes of approving proper execution of the prior year's budget.
9. The Monitoring Group members will update the PIOB and/or its staff on significant events in the global regulatory environment (including those that relate to audit requirements and practices), or other areas to assist the PIOB in carrying out its responsibilities.
10. The Monitoring Group, the PIOB, and the IFAC International Regulatory Liaison Group (RLG) shall discuss whether particular IFAC activities, in addition to those included in the IFAC Reforms should fall within the PIOB's oversight, with the PIOB making the final decision.
11. The Monitoring Group may have other duties as determined by its members consistent with promoting high quality international audit and assurance, ethics and education standards for accountants and high quality international auditing practices.

B. PIOB Finances and Funding

1. In accordance with its responsibility to monitor the PIOB's public interest role, the Monitoring Group addresses issues relating to PIOB funding in accordance with Section 2.6 of the IFAC Reforms and the IFAC Assured Funding Proposal (Appendix B) and shall also consult with IFAC and the PIOB on other PIOB funding and finance issues including, but not limited to:
 - a. PIOB independence from IFAC in light of IFAC funding of the PIOB, including the presence and governance role of the PIOB's Spanish Foundation and additional safeguards to protect the independence of the PIOB, such as provisions that the PIOB keep its own books, and have its financial statements subject to annual audit;
 - b. Amount and adequacy of PIOB funding, including the IFAC funding commitment ;
 - c. Funding procedures and guidelines; and
 - d. Alternative sources of PIOB funding.
2. The Monitoring Group will consider for approval an annual (or supplementary) budget presented by the PIOB in accordance with the requirements of Appendix C of this Charter.
3. In the event that IFAC raises any issues regarding an annual or supplementary budget, the Monitoring Group will intermediate as required. Issues may include reserves and excess funding, or if the PIOB plans to use IFAC staff or services.
4. Monitoring Group members may provide and actively seek contributions to support the PIOB's activities.

C Effectiveness Assessment

1. The Monitoring Group shall perform a review of the effectiveness of the 2003 IFAC Reforms five years after the March 2005 establishment of the PIOB. The review shall cover

any other aspects of IFAC's operations thought appropriate by the Monitoring Group.

2. The Monitoring Group shall have the right to make recommendations to IFAC and the PIOB based on its assessment, including proposals for amendments to the 2003 IFAC Reforms.
3. The Monitoring Group may decide to conduct an interim effectiveness assessment, the results of which can, if determined appropriate by the Monitoring Group, replace the effectiveness assessment that would otherwise take place after five years. In any case the Monitoring Group will carry out at not greater than 5 year intervals reviews of the effectiveness of the 2003 IFAC Reforms (including any updates or amendments).
4. The Monitoring Group shall also assess the continuing need for and role of the Monitoring Group.

D. Nomination of PIOB Members

1. The Nominating Committee of the Monitoring Group selects members of the PIOB in accordance with Section 2.5 of the IFAC Reforms, the Nominating Committee Memorandum of Understanding attached at Appendix E, and this Charter.

E. Exchanging views related to audit quality

1. The Monitoring Group will exchange views relating to international audit quality and audit practice as well as regulatory and market developments having an impact on auditing.

Article 3 Chairperson

- A. IOSCO has responsibility for nominating the Chairperson of the Monitoring Group
- B. The Chairperson shall, inter alia:
 1. preside over Monitoring Group meetings including proposing relevant questions for discussion and membership votes;

2. serve as the liaison between the Monitoring Group and non-Monitoring Group organizations (and may ask Monitoring Group members to conduct certain liaison activities, as needed);
3. schedule Monitoring Group meetings as required by this Charter and shall establish and transmit the draft agenda for distribution to and consultation with the Monitoring Group Members, Observers and the PIOB in advance of meetings;
4. propose new committees of the Monitoring Group (if any) to the membership, which shall be agreed and appointed in accordance with the voting procedure set out in Article 8 of the Charter; and
5. provide leadership for Monitoring Group deliberation on issues relevant to the current and future status of public interest oversight of international audit and assurance, ethics and education standards-setting for accountants and other matters of mutual interest related to audit quality.

Article 4 New Members

- A. The Monitoring Group may invite other regulatory and international organizations charged with protecting and advancing the international public interest and committed to strongly supporting the development of high quality international auditing and assurance standards to join the group.
- B. Prospective member organizations shall provide the Monitoring Group with a declaration, signed by an authorized official, that the prospective member organization has reviewed and accepts the Charter of the Monitoring Group.
- C. Decisions regarding whether to admit new members to the Monitoring Group shall be made by consensus. In addition, Monitoring Group members may by consensus decide that a prospective member organization should become an observer prior to becoming a member.

Article 5 Observers

- A. The Monitoring Group members, by consensus, may admit certain organizations to be observers to the Monitoring Group.
- B. Observers may attend any meeting of the Monitoring Group, unless decided otherwise by the Monitoring Group members.
- C. Observers shall not vote in any Monitoring Group decisions, but may share their views with Monitoring Group members in discussions surrounding Monitoring Group decisions. Observers may also be referred to in press releases or other communications of the Monitoring Group.

Article 6 Meetings

- A. The Monitoring Group shall meet at least twice annually with meeting agendas to be established and transmitted by the Chairperson.
- B. In order to monitor the IFAC Reforms and operations of the PIOB, the Monitoring Group should meet at least once annually with the IFAC Regulatory Liaison Group (RLG) to discuss the recent activities of IFAC and the PIOB, progress in implementing reforms and the Monitoring Group's views on regulatory developments, audit quality issues, and other matters of mutual interest.
- C. The Monitoring Group shall meet at least once annually with the PIOB.
- D. At a meeting prior to November 15 of each year, the Monitoring Group shall meet to discuss the PIOB budget in accordance with the PIOB Budget Approval Process set forth at Appendix C.
- E. The Chairperson shall provide advance notice regarding meetings to the Monitoring Group members, observers and the PIOB. When meetings will also involve the IFAC RLG or other parties, advance notice will also be provided to the IFAC RLG or the relevant parties.
- F. The Chairperson shall prepare and transmit, in advance of the meeting, a proposed agenda to the Monitoring Group members and observers. The proposed agenda will also be

provided to the PIOB other than for those parts of the meeting to which Article 7C applies. Monitoring Group members, observers and PIOB may contribute items to the agenda.

- G. A written report of each Monitoring Group meeting will be made which includes a brief summary of the discussions of the most important agenda items, decisions taken and any agreed upon actions. The Chairperson shall circulate the written report amongst the Monitoring Group members and observers in advance of the next meeting to be held.

Article 7 Attendance

- A. All Monitoring Group members should endeavor to have an adequate representation at all Monitoring Group meetings.
- B. Each Monitoring Group Member may decide who will represent the member organization. In order to achieve the adequate level of representation, the representation to the meeting may be comprised of more than one person from each organization.
- C. At the discretion of the Monitoring Group Chairperson part(s) of the agenda that relate to PIOB's functioning, budget process, nomination process or the effectiveness assessment will be for attendance of Monitoring Group members and observers only.
- D. The Chairperson of IOSCO Standing Committee on Accounting, Audit and Disclosure for Public Companies (SC1) should be invited to attend all or part of each Monitoring Group meeting.
- E. At the discretion of the Monitoring Group Chairperson, IOSCO SC1 and/or delegations of other Monitoring Group members may be invited to attend all or part of a Monitoring Group meeting for discussions of regulatory issues that bear on the IFAC Reforms and work of the PIOB and international audit, ethics and education standards for accountants or other issues related to the mission of the Monitoring Group.
- F. Monitoring Group members or observers may recommend that the Chairperson invite other individuals, committees or organizations to particular Monitoring Group meetings for

discussions of regulatory issues that bear on the IFAC Reforms and work of the PIOB and international audit and assurance, ethics and education standards for accountants.

Article 8 Voting

- A. Except as otherwise specifically provided in this Charter, decisions of the Monitoring Group shall be made by consensus.
- B. Whenever, in the judgment of the Chairperson, any action by the Monitoring Group must be taken which should not be postponed until the next meeting, the Chairperson may request that the Monitoring Group members vote without meeting. Votes may be cast in person or by mail, phone, facsimile or e-mail.
- C. Votes of each member organization of the Monitoring Group shall have the same weight.

Article 9 Committees

- A. Any new committees of the Monitoring Group as proposed by the Chairperson, shall be agreed and appointed in accordance with the voting procedure set out in Article 8 of the Charter.
- B. Committees reports written or oral, should be made to the full Monitoring Group as requested.

Article 10 Winding-up

The Monitoring Group members may wind-up the Monitoring Group at any time by consensus.

Article 11 Interpreting the Charter

This Charter is intended to be read in conjunction with the IFAC Reforms and the IFAC Proposal for Assured Funding of August 2007 *which was agreed by the Monitoring Group*. In the event of a conflict between this Charter and those documents, the Charter shall govern.

Article 12 Amending the Charter

- A. The Charter can be amended by consensus of Monitoring Group members. The PIOB will be consulted in relation to amendments that affect the interaction with the PIOB.**
- B. The Charter may be amended by the Monitoring Group at any meeting thereof or by vote without a meeting as provided in Article 8, Section B.**

Signed at,

Date:

Ms. Mary Shapiro, Chairman

For the Technical Committee of the International Organization of Securities Commissions

Mr. Nout Wellink

For the Basel Committee on Banking Supervision Bank for International Settlements

Signed at,

Date:

Mr. Pierre Delsaux

For the European Commission

Signed at,

Date:

Mr. Yoshihiro Kawai

For the International Associations of Insurance Supervisors

Signed at,

Date:

Mr. Vincenzo La Via

Chief Financial Officer

For the World Bank

APPENDIX A

Monitoring Group Members

The International Organization of Securities Commission
The Basel Committee on Banking Supervision
The International Association of Insurance Supervisors
The World Bank
The European Commission
The Financial Stability Board *

Monitoring Group Observers

The International Forum of Independent Regulators

* The Financial Stability Board is not a member of the Nominating Committee

APPENDIX B

IFAC Proposal for Assured PIOB Funding

August 15, 2007

**PROPOSAL FOR ASSURED FUNDING FOR
THE INTERNATIONAL PUBLIC INTEREST OVERSIGHT BOARD (PIOB)**

- IFAC would extend guaranteed funding for the PIOB (agreed in 2003 to be up to 1.5 million dollars plus inflation and foreign exchange adjustments for a period of five years) for an additional five year period, commencing 1 March, 2010, unless the Monitoring Group advises IFAC that such funding is no longer necessary because of other arrangements.
- From 1 January 2007 the denomination of the IFAC guaranteed funding shall be Euros. The amount of guaranteed funding for 2007 shall be the Euro equivalent of \$1.5 million after adjustment for inflation and exchange rate changes since January 2004¹. For the remainder of the first five-year term and for the second five year term the agreed funding shall be the 2007 amount adjusted annually for the inflation rate in the Eurozone. IFAC accepts the currency risk associated with the guaranteed funding being denominated in Euros, and understands that on this basis the PIOB will accept the currency risk associated with any operations or expenses of the PIOB incurred in currencies other than Euros.
- The IFAC funding would be expressly unconditional, and would be delivered on a quarterly basis in advance (based on the PIOB Budget) to the PIOB Foundation (established in Madrid, Spain), whose independent trustees would allocate the funds to the PIOB.
- IFAC and the MG would encourage and solicit contributions from other sources to diversify funding for the PIOB. A subgroup of the MG would work with the PIOB, IFAC, and others as needed to identify potential sources of funding and coordinate the transmission of fundraising letters. To the extent that external funding is raised in an amount which, when taken with IFAC's guaranteed funding, exceeds that agreed for the PIOB's budget, such surplus shall reduce IFAC's contribution.
- The IFAC funding would be accompanied by a number of safeguards to protect the independence of the PIOB. Such safeguards would include provisions that the PIOB would keep its own books of account, and would report to the public each year on its operations, funding and expenditures, and would have its financial statement subject to annual audit.
- IFAC would have no role in the allocation and use of the PIOB funding and no role in monitoring the PIOB budget and planning process. IFAC would, however, be able to enter into appropriate dialogue with the PIOB, using the MG as an intermediary, if there is any desired or planned use of IFAC staff and services by the PIOB.
- The PIOB would agree its annual budget and annual report with the MG before these are finalized each year. The MG would be afforded a reasonable time to review the PIOB's draft annual report

¹ The adjustment for inflation and currency yields an amount of €1,290,716 at January 1, 2007.

and budget before discussions with the PIOB, and IFAC would be provided the opportunity to raise with the Monitoring Group any issues it wished to have considered by the Monitoring Group and the PIOB.

- In the event that, at the end of any fiscal year, the PIOB has remaining funds that are not needed for expenditures relating to that fiscal year, the PIOB may carry as a reserve an amount up to an equivalent of 10% of the budget. Additional funds over the portion allotted to the reserve may be applied to diminish the amount of the guaranteed IFAC funding for the following period. Any reserves and excess funding should be included in discussions between the PIOB and the MG.
- Following approval in concept of this proposal between IFAC, the MG and the PIOB, the parties shall discuss the development of administrative procedures to carry out the agreed process and safeguards.

APPENDIX C

Public Interest Oversight Board Monitoring Group Budget Approval Process

- I. **Purpose:** These procedures are established for the consideration and approval of the budget of the international Public Interest Oversight Board (PIOB) by the Monitoring Group. Actions attributed to the PIOB in this section shall be performed as authorized in the 2003 IFAC Reforms, the IFAC Proposal for Assured PIOB Funding and the PIOB Foundation By-Laws.
- II. **Definitions.** For the purposes of this section, the following definitions shall apply:
 - A. **Budget category** means a grouping of similar expenditures within the PIOB's budget. Budget categories shall include, among others: member stipends, travel and meeting costs, staff costs, costs comprising any third party consulting or professional fees, occupancy expenses, information technology costs, and other administrative expenses. Where relevant, the expenses shall be allocated between those funded by cash and those which represent known or estimated expenses supported by in-kind contributions.
 - B. **Budget justification** means the justification for each annual budget, prepared in concise and specified terms, covering all of the PIOB's programs and activities, and including, among other things, as may be requested by the Monitoring Group:
 1. an analysis of the PIOB's budget identifying:
 - a. proposed individual program and activity costs by budget category;
 - b. proposed other operating costs by budget category;
 - c. proposed total costs by budget category;
 - d. an explanation of the basis for allocating costs by budget category to individual programs;
 - e. for each identified program, an explanation of the program's objective(s) and operations in the context of the PIOB's mandate and strategic plan;

- f. in the case of a program operated in the previous year which has been eliminated from the current proposed budget, an explanation of why this program is no longer required.
2. The assumptions underlying calculation of base compensation levels, proposed compensation increases, board and staff travel costs, and significant third party contractual commitments.
3. A discussion of any models used to develop PIOB estimates;
4. Projected detailed costs, based on best information available at the time of budget preparation, for planned travel of PIOB members and staff, plus general provisions for unallocated travel of ten percent and twenty percent respectively for the PIOB oversight and external relations travel programs; and
5. Information sufficient for the Monitoring Group to assess current and proposed capital and information technology projects, including related cost benefit assessments.

III. Contents of budget.

- A. To facilitate Monitoring Group review and approval, each budget shall:
 1. be accompanied by a budget justification;
 2. include projected information for the budget year, forecast information for the current year, an actual-to-plan report for the year immediately preceding the current year (and how actual differed from budgeted amounts in that year), covering spending by program or activity, revenues, debt (if any), and employment levels, and, where possible, the audited financial statements of the PIOB's Spanish Foundation for the preceding year; and
 3. be consistent with, or explain any deviations from, any economic assumptions and budgetary guidance provided by the Monitoring Group.
- B. Under no circumstance may the budget exceed the amount of expected funding in that year, supplemented by the carried over surplus from preceding years.

- C. The projected budget will reflect not only reflected cash disbursements but also an adjustment for accruals or any expected changes in accruals.

IV. Limitation on spending and carry-over.

- A. The PIOB shall:
 - 1. apply its resources in a manner implied in the Monitoring group – approved budget and budget justification, and
 - 2. not eliminate programs described in the Monitoring Group-approved budget and budget justification without prior consultation with the Monitoring Group.
- B. In cases in which spending did not reach the level of the funded amount for a particular year, such surplus shall be carried over onto the successive year's budget, unless otherwise agreed by the Monitoring Group (which may consider input by IFAC) and the PIOB.
- C. The PIOB shall seek any funds required beyond the amount specified in the approved budget for that year by making a supplemental budget request to the Monitoring Group and receiving approval thereof.
- D. The PIOB shall not spend in a budget year more than the amount specified in the Monitoring Group-approved budget for that year, regardless of the source of the funds, unless expenses have been approved by the Monitoring Group through a supplemental budget request.

V. Supplemental budget.

- A. The PIOB may submit to the Monitoring Group a request for approval of a supplemental budget subsequent to Monitoring Group approval of the budget for the budget year in order to spend any amounts in excess of, or contrary to, the limitations described in Section IV.
- B. To facilitate Monitoring Group review and approval, a supplemental budget shall include:
 - 1. detailed information regarding the impact of the supplemental budget on each affected program area, including costs by cost budget category, project or activity;

2. a statement regarding how the supplemental budget facilitates the strategic and policy goals of the PIOB;
3. information indicating why the amount was not included in the budget for the current year, including a description of any subsequent and unforeseen events or circumstances necessitating the supplemental budget request;
4. the proposed source for the funds, including any offsets to be made elsewhere in the PIOB's programs and activities; and
5. information indicating why the request should not and cannot be postponed until the next regular annual budget process.

VI. Maintenance of records; reports

- A. The PIOB shall maintain, and make available to the Monitoring Group upon request, records supporting the budget or supplemental budget request, and information on actual amounts.
- B. The PIOB will provide the Monitoring Group with the audited financial statements of the PIOB's Spanish Foundation (*Fundación Consejo Internacional de Supervisión Pública en Estándares de Auditoría, Ética Profesional y Materias Relacionadas*).

VII. Monitoring Group Approval of the PIOB Budget.

- A. The PIOB shall submit its proposed annual budget to the Monitoring Group no later than four weeks prior to the meeting of the Monitoring Group at which the budget will be discussed. This meeting shall take place not later than November 15 of each year.
- B. Each Monitoring Group member shall have a period of at least four weeks to review and evaluate the proposed PIOB budget. By the conclusion of that period, each Monitoring Group member shall inform all the other Monitoring Group members of its views regarding the proposed PIOB budget.
- C. The PIOB Chairperson or designated PIOB staff shall be available during this period, and at other times, as necessary, to respond to the Monitoring Group questions or comments regarding the proposed budget.
- D. A committee of the Monitoring Group may be formed to facilitate dialogue amongst Monitoring Group members and PIOB Chairperson or designated PIOB staff with respect to budget

matters. If at the end of this period Monitoring Group members approve the proposed PIOB budget, the Monitoring Group Chairperson shall so inform the PIOB Chairperson prior to or at the relevant Monitoring Group meeting in writing.

- E. If at the end of this period the Monitoring Group does not agree to approve the proposed PIOB budget, the Monitoring Group members and the PIOB will meet to resolve all remaining differences such that a budget can be approved.
- F. In the event that the Monitoring Group has not approved a PIOB budget by November 30 of the year preceding the proposed budget year, the most recently approved budget, or supplemental budget, shall be deemed finally approved as of November 30 as the budget for the following period, adjusted for inflation as necessary, and the Monitoring Group Chairperson shall communicate such final approval to the PIOB Chairperson in writing as of that date.

VIII Monitoring Group Approval of Proper Execution of Prior Year's PIOB Budget

- A. While undertaking the process described under VII, members of the actual Monitoring Group will separately review the prior year's actual-to-plan information, supported by a copy of the PIOB Foundation's audited financial statements, for purposes of approving proper execution of the prior year's budget.

IX. Monitoring Group Approval of PIOB Supplemental Budgets

- A. PIOB supplemental budget requests are likely to be rare, but time sensitive. At such time as the PIOB presents the Monitoring Group Chairperson with a supplemental budget request, the Monitoring Group will endeavor to resolve these requests within three weeks or such other appropriate time period as required by the nature of the request. The PIOB Chairperson or designated PIOB staff will be available to confer with members of the Monitoring Group during this period.
- B. When the Monitoring Group decides to approve or deny the request, the Chairperson of the Monitoring Group will inform the PIOB in writing immediately.
- C. If the Monitoring Group cannot reach consensus on whether to approve or deny the request, the PIOB and Monitoring Group will

enter a dialogue with the objective being to obtain a final decision no later than six weeks after initial submission by the PIOB.

- X. **Waiver of rule provisions.** The Monitoring Group, in its discretion, may waive compliance with any provision of this budget-approval process.

APPENDIX D

Public Interest Oversight Board Reporting to the Monitoring Group

1. The PIOB conducts its operations from within the legal structure of a Spanish not-for-profit Foundation. In addition to monitoring by the Monitoring Group as set out in this Charter, the PIOB is subject to oversight by the Spanish Foundations Protectorate and must comply with associated reporting obligations.
2. The PIOB will produce each year a Public Report that, amongst other things, describes its activities in the oversight of PIACs, other operations, funding and expenditures. The PIOB will provide Monitoring Group members with a draft of the Public Report and allow a minimum of two weeks for comments. Responsibility for the content and production of the Public Report remains with the PIOB.
3. The PIOB will provide the Monitoring Group with a written update report of activities, observations and other developments in advance of each Monitoring Group meeting.
4. The PIOB will present an annual and any supplementary budget for approval by the Monitoring Group in accordance with the requirements of Appendix C of this Charter
5. The PIOB will provide the Monitoring Group with the audited financial statements of the PIOB's Spanish Foundation.
6. After each operating year the PIOB will present the Monitoring Group with an actual versus plan expenditure report for the preceding year.
7. The PIOB will respond within a reasonable time to any Monitoring Group question or request for additional information in regards to its activities or expenditures.

APPENDIX E

Monitoring Group Nominating Committee Memorandum of Understanding

MEMORANDUM OF UNDERSTANDING

AMONG

**THE INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS,
THE EUROPEAN COMMISSION
THE BASEL COMMITTEE ON BANKING SUPERVISION,
THE INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS,
THE WORLD BANK,
AND
THE INTERNATIONAL FEDERATION OF ACCOUNTANTS**

**RESPECTING ONGOING NOMINATIONS TO THE INTERNATIONAL PUBLIC
OVERSIGHT BOARD FOR AUDITING STANDARDS, PROFESSIONAL ETHICS
AND RELATED MATTERS FOUNDATION BOARD OF TRUSTEES**

DATED: 4/9/08

WHEREAS the International Organization of Securities Commissions ("IOSCO"), the Basel Committee on Banking Supervision (the "Basel Committee"), the International Association of Insurance Supervisors (the "IAIS"), the World Bank and the Financial Stability Forum, together with the European Commission and the International Federation of Accountants ("IFAC"), proposed the creation of a Public Interest Oversight Board, and

WHEREAS that proposal was unanimously endorsed by the IFAC Council in November 2003 and further ratified by the IFAC Council in November 2004,

this MEMORANDUM OF UNDERSTANDING confirms an agreed process whereby IOSCO, the European Commission, the Basel Committee, the IAIS, and the World Bank (collectively, the "Nominating Committee" or the "Committee") will nominate individuals to the Board of Trustees (the "Board") of the International Public Oversight Board for Auditing Standards, Professional Ethics and Related Matters Foundation (the "Foundation"), also known as the Public Interest Oversight Board, with such nominees to receive formal appointment to the Board in the manner specified under the by-laws of the Foundation.

1. Composition of the Board

The Board of the Foundation is presently comprised of ten voting members.

Members of the Board and observers shall be appointed for a term of three years, with a maximum potential of two terms. However, a Board member who has served two terms may serve a third term if selected as the Chairman of the Board for the third term.

The ten voting member positions are to be allocated among members of the Nominating Committee under an agreed formula, being:

- 1.3.1 four positions allocated to nominees from IOSCO, one of whom shall be appointed Chairman of the Board;
- 1.3.2 two positions allocated to nominees from the European Commission;

1.3.3 one position allocated to each of the Basel Committee, the IAIS and the World Bank; and,

1.3.4 one position allocated to a nominee proposed by IFAC with significant senior auditing experience who has been approved by the Nominating Committee.

1.4 The above agreement may not be varied except under one of the following two conditions:

1.4.1 all members of the Nominating Committee agree to accept a new organization that meets mutually agreed criteria as a member of the Committee and further agree that the existing Board should be expanded to provide an allocated position or positions for that Committee member; or,

1.4.2 upon the resignation of an existing member of the Committee, all remaining members agree upon either the elimination of the existing position or a specified reallocation of that position among the remaining Committee members.

2. Nomination Procedures

2.1 The goal of all members of the Nominating Committee shall be to select members of the Board who, as a group, and by virtue of their status and "representativeness", will contribute to restoring and maintaining a high level of confidence among the worldwide investor community and other stakeholders.

2.2 Each member of the Nominating Committee identified under subsections 1.3.1, 1.3.2 and 1.3.3 shall select individuals equal to the number of seats on the Board allocated to that member and shall perform vetting of its nominee(s) as appropriate, including reviews designed to avoid potential conflicts of interest. The Nominating Committee will also consider information provided by IFAC with respect to potential Board nominees, for example, information that would be helpful in avoiding potential conflicts of interest or risk of independence impairment.

2.3 Criteria to be applied in this Nominating Procedure for the Members of the Board are set out in the Appendix to this Memorandum of Understanding.

2.4 Each member of the Nominating Committee undertaking the process set out in Section 2.2 shall consult with the entire Nominating Committee regarding its proposed nominee(s) to the Board but will be permitted to make its own nomination decisions.

2.5 With respect to Nominating Procedures for the Members of the Board, this Memorandum of Understanding shall be read in conjunction with Section 2.5 of the IFAC Reform Proposals of 10 September 2003 ("IFAC Reforms"). However, to the extent this Memorandum of Understanding and Section 2.5 of the IFAC Reforms conflict, this Memorandum of Understanding supersedes any conflicting provisions of Section 2.5 of the IFAC Reforms.



(duly authorised signatory of IOSCO)

(duly authorised signatory of the European Commission)

(duly authorised signatory of the Basel Committee)

(duly authorised signatory of the International Association of Insurance Supervisors)

(duly authorised signatory of the World Bank)

(duly authorised signatory of the International Federation of Accountants)

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(duly authorised signatory of IOSCO)



CHARLIE MCCREEVY, MEMBER OF THE EUROPEAN COMMISSION
(duly authorised signatory of the European Commission)

(duly authorised signatory of the Basel Committee)

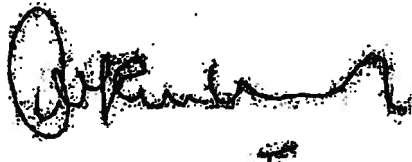
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Yoshihiro Kawai

(duty authorised signatory of the International Association of Insurance Supervisors)

(duty authorised signatory of the World Bank)

(duty authorised signatory of the International Federation of Accountants)

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Vincenzo La Via

Vincenzo La Via C.F.O.

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Ian Ball

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(duly authorised signatory of the International Federation of Accountants)

APPENDIX

QUALIFICATIONS OF MEMBERS OF THE BOARD OF TRUSTEES

- a. Board members should be senior individuals of integrity and high reputation with an interest in and knowledge of international issues relevant to the auditing and assurance function and of the role of such functions in the global capital markets. Board members should be committed to strongly supporting the development of high quality international auditing and assurance standards by IFAC and related high quality implementation practices by the international auditing profession. Moreover, Board members should have the ability and desire to serve the public interest in an independent and unbiased manner.
- b. Board members shall be a mix of those appointed from within the senior official staff of members of the Nominating Committee and others appointed by the Nominating Committee and representing the public interest.
- c. Board members must not be currently in public practice as auditors or working for a firm that performs audits, but might be practicing in another area of auditing (e.g., an Auditor General) or accounting. However, at least one member of the Board should have recent and significant senior audit experience in the private sector. Although this member of the Board, like the others, will be chosen by the Nominating Committee, the Nominating Committee will consider potential nominees that IFAC recommends, who have the appropriate experience.
- d. Board members shall agree to serve in the interests of the public as a whole, not the interests of their respective nominating body.

APPENDIX F

International Federation of Accountants Reform Proposals¹

1. INTRODUCTION

2. REFORM PROPOSALS

3. CONCLUSIONS

4. REFERENCES

5. APPENDIX A

6. APPENDIX B

¹ These proposals were approved by the IFAC Council in 2003