



ICAEW RESPONSE TO OECD PIC SURVEY

Issued 4 March 2020

ICAEW welcomes the opportunity to comment on the consultation on *IPSASB Oversight Arrangements* published by OECD Public Interest Committee (PIC) in December 2019, a copy of which is available from this [link](#).

ICAEW supports the current oversight arrangements of IPSASB but believes more could be done to increase the transparency of PIC's decisions. In the long run we would like to see IPSASB sit under the oversight of IFRS Foundation Trustees.

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RESPONSES TO SPECIFIC QUESTIONS

Question 1

Following the Recommendations of the [IPSASB Governance Review Group](#), the [Public Interest Committee](#) was formed in 2015 “to ensure that the public interest is served by the standard-setting activities of the International Public Sector Accounting Standards Board ([IPSASB](#)).”

All the [Recommendations](#) of the IPSASB Governance Review Group have now been implemented.

How familiar are you with the Public Interest Committee, its mandate and activities?

Please select one.

No, Not Familiar		Somewhat Familiar		Yes, Highly Familiar
<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input checked="" type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

Elaborate below as necessary.

1. ICAEW is an active member and contributor to both IFAC and IPSASB, and we are therefore familiar with the PIC and its mandate.
2. However, if activities are understood to mean actions and outcomes of the PIC meetings, then these are not well known. The PIC provides advice to IPSASB on a number of areas but the only documentation available to find out more are the minutes of the PIC meetings. To the best of our knowledge, neither the Chair of IPSASB or the CAG provide feedback on discussions held with the PIC.
3. We do not believe that the PIC minutes are the best medium to learn about their recommendations and advice. Any potential stakeholder interested in the decisions and instructions by the PIC has to work quite hard to find them. Unlike IPSASB, who publish separately the decisions, instructions and actions from each board meeting, the PIC minutes do not clearly show any instructions and/or recommendations. In that sense, it is quite difficult to familiarise oneself with the PIC activities.
4. A more formal document containing the PIC recommendations would be, in our view, much more appropriate. This document should also be on IPSASB's website for increased transparency.

Question 2

The mandate of the Public Interest Committee is to promote the public interest in the standard setting activities of the IPSASB, through the review of the IPSASB terms of reference and the policies and procedures of the IPSASB and the International Federation of Accountants (IFAC) and to advise them of any proposed changes. The Public Interest Committee is focused on:

- a) The development of the IPSASB strategy and work plan
- b) The appointment process for members of IPSASB by IFAC
- c) The due process for setting International Public Sector Accounting Standards (IPSAS)

The Public Interest Committee is also focused on reviewing and providing advice on the activities of the [Consultative Advisory Group of the IPSASB](#).

The Public Interest Committee does not intervene in specific standard-setting decisions nor individual appointments.

The [minutes](#) of each meeting of the Public Interest Committee contain the Committee's recommendations and advice to the IPSASB, the IPSASB CAG, and IFAC.

Do you believe the activities and recommendations of the Public Interest Committee in the following areas are consistent with its mandate?

- a) Development of the IPSASB strategy and work programme:

Please select one.

No, Not Consistent		Somewhat Consistent		Yes, Highly Consistent
<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input checked="" type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

- b) The appointment process for members of IPSASB by IFAC:

Please select one

No, Not Consistent		Somewhat Consistent		Yes, Highly Consistent
<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input checked="" type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

- c) Due process for IPSASB standard-setting:

Please select one

No, Not Consistent		Somewhat Consistent		Yes, Highly Consistent
<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input checked="" type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

Elaborate below as necessary.

5. As we stated in our response to question one, we do not believe the minutes clearly spell out what the activities and recommendations of the PIC are.
6. As we follow the activities of IPSASB closely, we can also say that the PIC is behind a drive to increase Board diversity. There is no evidence that the PIC overstepped their mandate by, for example, recommending specific nominations.

Question 3

Do you believe the mandate of the Public Interest Committee is appropriate?

Please select one.

No, Not Appropriate		Somewhat Appropriate		Yes, Highly Appropriate
<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input checked="" type="checkbox"/> 5

Elaborate below as necessary.

7. The terms of reference for the PIC make it quite clear what the mandate is, and how it shall fulfil this mandate, which seems reasonable and appropriate.

Question 4

The Public Interest Committee is composed of individuals with expertise in public sector or financial reporting and interest in promoting high-quality and internationally comparable financial information from the International Monetary Fund (IMF), the International Organisation of Supreme Audit Institutions (INTOSAI), the Organisation for Economic Co-operation and Development (OECD), and the World Bank.

Do you believe the present composition of the Public Interest Committee is credible in providing effective oversight for IPSASB?

Please select one.

No, Not Credible		Somewhat Credible		Yes, Highly Credible
<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input checked="" type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

Elaborate below as necessary.

8. We broadly agree that the present composition of the PIC is credible in providing effective oversight for IPSASB. However, we believe credibility could be further improved by having a wider, more representative committee (of the key stakeholders) – for example, there is no direct representative of national governments or civil society.

Question 5

Do you believe it is important to have independent oversight for IPSASB to ensure that the public interest is served in the promulgation of International Public Sector Accounting Standards?

Please select one.

No, Not Important		Somewhat Important		Yes, Highly Important
<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input checked="" type="checkbox"/> 5

Elaborate below as necessary.

9. Before answering this question, we would like to point out that we were unable to find a definition of *public interest*. Whilst most respondents to this survey will reach an automatic conclusion on what the public interest is, we would welcome the PIC to define this often used term.

10. We believe it is important to have independent oversight of IPSASB since not having such oversight to ensure that the public interest is served would constitute a major barrier to IPSAS adoption.
11. In 2013, the European Commission consulted on the suitability of IPSAS for their member states and the following was noted in a Commission staff working document: 'IPSAS is, at the present state of development, not governed in an appropriate manner to make it suitable for direct adoption throughout the EU'. Even though it is unlikely that Europe would have adopted IPSAS even if IPSASB had internationally recognised governance arrangements in place at the time of their review, the above quote does demonstrate how governance arrangements influence the adoption or non-adoption of standards.
12. The current set up of the PIC is probably still sufficiently robust for the current standard setting activity and given that the PIC doesn't have a budget, the benefits outweigh the costs. However, should the IPSAS become more widely adopted, the potential for increased political pressure on IPSASB would require significant changes to the current oversight arrangements. Please see question 6 for more detail.

Question 6

In accordance with the recommendations of the IPSASB Governance Review Group, the IPSASB develops International Public Sector Accounting Standards, independently and under its own authority, in accordance with agreed due process. The IPSASB Consultative Advisory Group provides input to the development of the standards. IFAC is responsible for the nomination process for IPSASB and appointment decisions. The PIC oversees these activities in accordance with its mandate.

IFAC provides financial and operational support to the IPSASB (as well to the International Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants, which are similarly subject to independent public interest oversight), and monitors and supports global adoption and implementation of IPSAS. The IPSASB is funded by IFAC (which itself is funded by membership dues from national accountancy organization and international accounting firms) and by financial and in-kind contributions from other organizations including national governments.

Do you believe this overall arrangement for promulgating International Public Sector Accounting Standards remains appropriate?

Please select one.

No, Not Appropriate		Somewhat Appropriate		Yes, Highly Appropriate
<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input checked="" type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5

Elaborate below as necessary.

13. The 2014 consultation on IPSASB's governance issued by the Governance Review Group outlined three options to strengthen the monitoring and oversight of IPSASB:
- Monitoring and oversight by IFRS Foundation's Monitoring Board and Trustees;
 - Separate monitoring and oversight boards whilst IPSASB remains under the auspices of IFAC;
 - Re-establishing IPSASB outside of IFAC with its own monitoring and oversight bodies.
14. The Governance Review Group cited three practical considerations that underpin the governance reform options; i) speed with which new arrangements can be put in place; ii)

costs associated with different governance options; and iii) available funding to meet those costs. It is perhaps therefore not surprising that 74% (of 43 respondents) opted for option 2) above. However, half of those suggested that this option is most suitable for the short to medium term and that other longer term solutions should be explored.

15. In our response to this consultation, we were not in favour of option 2) as we had doubts that concerns over accountability, independence and perceived conflicts of interest would be addressed convincingly. Nor did we support option 3) as this approach would add unnecessarily to the proliferation of international and regional bodies involved in the standard setting process and would involve substantially more cost and logistical effort than the other options.
16. We supported, and still prefer today, option 1) as we feel that this would, if certain conditions are met, provide the best governance, infrastructure and credibility for the creation of high quality public sector accounting standards. For more detail regarding our reasoning, please see our response to the Governance Review Group consultation which is listed on the OECD PIC [website](#).
17. However, given that option 2) was implemented, the remainder of our response focuses on the current arrangements in place. We are not convinced by IPSASB's long term existence within IFAC. Funding will most probably continue to largely depend on IFAC and a few national governments, which is not ideal for the public perception of IPSASB as an independent standard setter. We also feel that IFAC itself is far too financially dependent on the standard setting boards and that it should be much more focused on the development of the profession with no standard setting activities.
18. We support IPSASB and the high quality public sector accounting standards they create. However, we wonder whether a change is required in order to accelerate IPSAS adoption, as that is ultimately what matters the most and is in the public interest. We feel that the current standard setting process is quite slow and that IPSASB lack the resources to assist with implementation, to carry out thematic reviews and to provide translation services.
19. IFAC should be doing a lot more to promote the adoption of IPSAS and let IPSASB get on with the standard setting process. Especially during this time when IPSASB have a heavy work programme to create the much needed public sector specific standards, it should not fall on them to also promote these standards to national governments, that should primarily be IFAC's role.
20. We are under no illusions of the difficulties in coming up with a funding model for IPSASB, one that would provide the resources necessary but that would also protect their integrity and independence. However, we would ideally like to see IPSASB become self-funding through a broad base of voluntary contributions from governments and other international organisations.
21. The ultimate aim for IPSASB should be to sit under the oversight of the IFRS Foundation Trustees alongside IASB. There is no reason why the IFRS Foundation Trustees could not have two standard setting boards operate under their oversight. IPSASB would benefit greatly by the enhanced reputation of being part of such a successful set up and may be the change required to pave the way for meaningful IPSAS adoption.