



**Review of the Oversight  
Arrangements for the International  
Public Sector Accounting Standards  
Board**

**PUBLIC INTEREST COMMITTEE**

**12 November 2020**

## PUBLIC INTEREST COMMITTEE

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1. The Public Interest Committee (PIC) was established in 2015 to provide oversight for the International Public Sector Accounting Standards Board (IPSASB). Uniquely among international standard-setters, there had been no oversight arrangements in place for the IPSASB prior to the establishment of the PIC. This lack of oversight had been cited as a hindrance to the adoption and implementation of International Public Sector Accounting Standards (IPSAS) by governments. The period since 2015 has witnessed great growth in momentum for the use of IPSAS to improve financial management and reporting by governments.

2. The PIC's establishment followed the recommendations of the IPSASB Governance Review Group, which was chaired by individuals from the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD) and the World Bank. The Review Group also included representatives from the Financial Stability Board (FSB), the International Organization of Securities Commissions (IOSCO), and the International Organization of Supreme Audit Institutions (INTOSAI). Eurostat and the International Federation of Accountants (IFAC) served as observers. The Review Group's conclusions were based on an extensive public consultation exercise among key stakeholders, and the public at large, on the governance and oversight of the setting of accounting standards for the public sector.<sup>1</sup>

3. In its first five years, the PIC has been concerned with establishing itself, preparing its foundation documents, setting up protocols for key aspects its work, creating routines for its communication with IPSASB and IFAC, regularizing its meeting, and in general to organize its way of working in order to ensure effective oversights for the IPSASB. It has done so in close co-operation with IPSASB and IFAC.

### Activity Indicators – 2015-2020

Standards Approved	21
Exposure Drafts	20
Strategy and Work Plans Reviewed	1
New Members Appointed	21
Members Re-Appointed	15

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<sup>1</sup> All documents related to the establishment of the Public Interest Committee can be found on its website: <http://www.oecd.org/gov/budgeting/pic.htm>

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4. As the year 2020 represents the Public Interest Committee's fifth year anniversary, it was viewed an appropriate time to carry out an external consultation on the current oversight arrangements for the IPSASB in order to seek input from stakeholders on its performance and identify areas for improvement. This consultation was also envisaged at the time of its establishment.

5. The mainstay of the public consultation exercise was a *Survey on IPSASB Oversight Arrangements*, which was widely disseminated. The Committee also reached out directly to key stakeholders, including current and past chairs of the International Federation of Accountants (IFAC), IPSASB, IPSASB Consultative Advisory Group (CAG) and key officials, to seek their input on the activities of the Public Interest Committee.

6. The Committee is very pleased with the level of engagement in this public consultation exercise. Sixty-five responses were received from individuals and institutions with a wide range of institutional, professional and regional backgrounds. This was a greater response than to the original public consultation establishing the present oversight arrangements. The Committee would like to express its sincere thanks to all respondents to the Survey. The Committee would like to thank especially those individuals and organizations that generously gave their time to provide supplementary communications to the Committee.

7. The results of the public consultation exercise was overwhelmingly positive on the current oversight arrangements. It did however bring up a number of points for further consideration. These can usefully be divided into *operational issues* that concern the manner in which the Public Interest Committee carries out its work and *structural issues* that concern the overall governance arrangements.

### Key Review Issues

<b>Operational Issues</b>	Oversight of Due Process Oversight of Appointment Process Oversight of Strategy Visibility of PIC Activities
<b>Structural Issues</b>	Mandate of the Public Interest Committee Importance of Public Interest Oversight Membership of the Public Interest Committee Overall Governance Arrangements

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8. This report will discuss each of these issues in turn. It will present the results of the Survey, highlight the concerns raised based on the commentary to the Survey and further communications, and present the Committee's reactions.

### Oversight Activities

9. The Committee's public interest oversight is based on promoting three key pillars. The Survey questions asked respondents to rank how the PIC performed in respect to each of these pillars vis-à-vis its mandate.

#### Three Pillars of PIC's Oversight Activities



### ***Due Process***

10. The Committee reviews the processes and procedures employed by IPSASB in its standard-setting activities to ensure that rigorous due process is carried out so that the IPSASB delivers high quality standards. This is in accordance with the *International Public Sector Accounting Standards Board – Due Process and Working Procedures* protocol which was agreed between IPSASB and PIC and became effective in June 2016.<sup>2</sup>

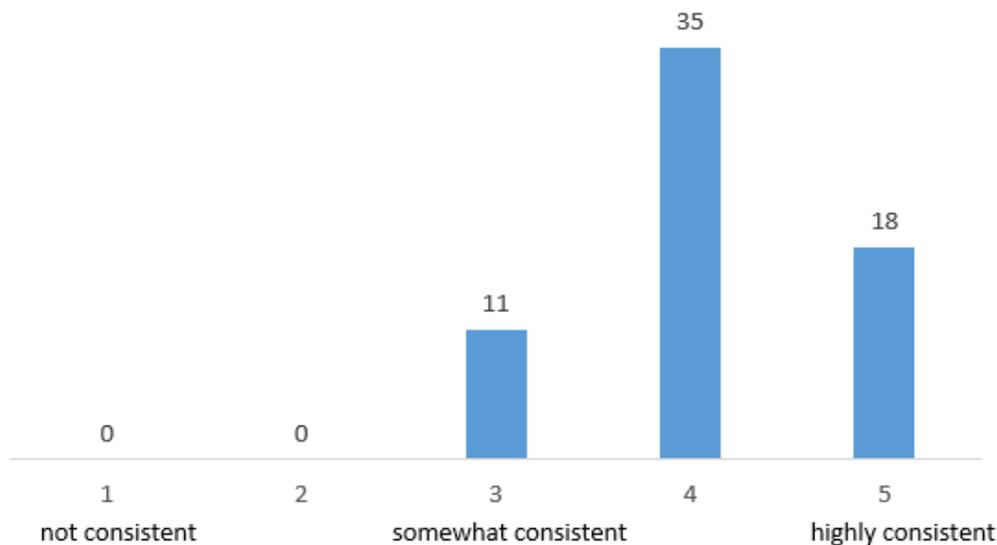
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<sup>2</sup> This document is available on the PIC website: <http://www.oecd.org/gov/budgeting/pic.htm>

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Consistency with mandate:  
Due process for IPSASB standard-setting  
(number of respondents per rating)



Note: 64 respondents in total, average = 4.1

11. Eighty-three percent of respondents to the Survey scored the performance of the Public Interest Committee as “Highly Consistent,” or next best, vis-à-vis its due process mandate. Seventeen percent responded as it being “Somewhat Consistent.” There were no scores of “Not Consistent,” or next lowest.

12. Some respondents expressed a desire for the Public Interest Committee to further formalize and elaborate the basis for its conclusions regarding adherence to due process. There was also a wish expressed for the Committee to ascertain due process at each milestone of the standard-setting process, rather than as a single *ex-post* event.

13. The Committee also notes comments regarding the importance of regular attendance at IPSASB meetings by PIC members.

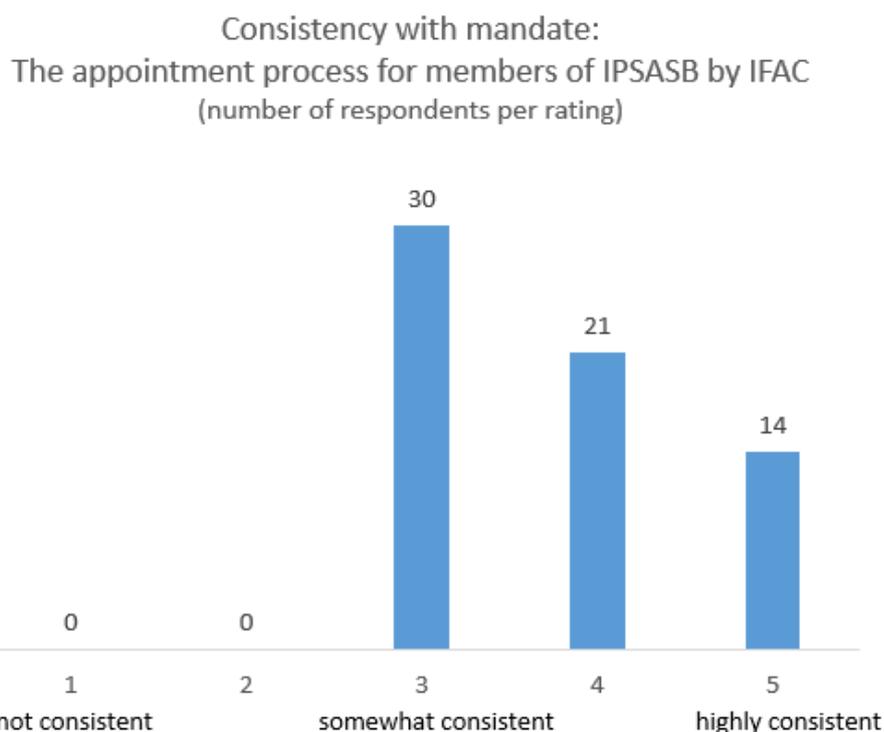
14. Ensuring due process is the *sine qua non* of the Public Interest Committee’s activities. It acknowledges the points raised as areas for improvement. It has initiated discussion with IPSASB on how best to address them. The Committee believes that some of the issues raised may also relate to the need to improve communications by PIC – see below.

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### *Appointments Process*

15. Appointments to the International Public Sector Accounting Standards Board are made by the International Federation of Accountants. The role of the Committee is to ensure that the appointment process operates in the public interest. The Committee does not get involved in decisions on individual appointments.



Note: 65 respondents in total, average = 3.8

16. Fifty-four percent of respondents to the Survey scored the performance of the Public Interest Committee as “Highly Consistent,” or next best, vis-à-vis its appointment process mandate. Forty-six percent responded as it being “Somewhat Consistent.” There were no scores of “Not Consistent,” or next lowest.

17. The high number of “Somewhat Consistent” scores is notable. Commentary indicates a concern by some respondents that the Public Interest Committee’s actions have led to less qualified members being appointed to the Board in order to increase the inclusiveness of appointments. There is also concern that the inclusiveness criteria has been focused primarily on gender.

18. The Committee acknowledges it has focused on achieving gender parity in the membership of IPSASB as a goal. This was achieved in 2020 following five years interactions

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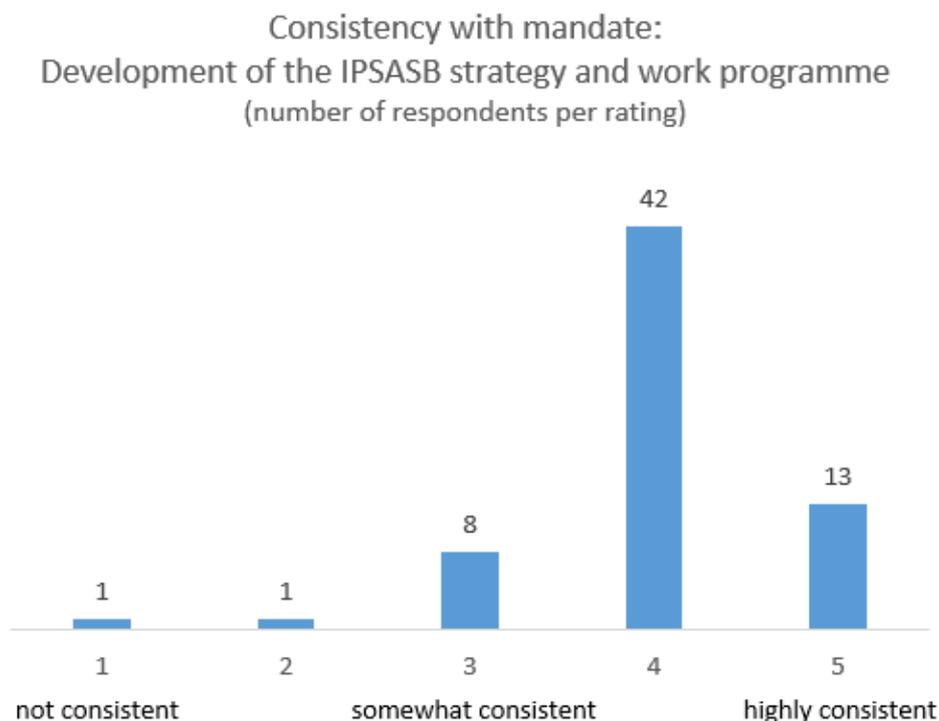
with IFAC and its Nominating Committee to improve the “pipeline” of qualified candidates and the implementation of various other initiatives, including mentoring and clearer descriptions of the role and obligations of potential members. This gradual approach was adopted for the very reason of ensuring that all appointments to the IPSASB are of high technical competency.

19. In this context, it is worth highlighting that a performance assessment of each member of the professional boards supported by IFAC is carried out annually. The aggregate rating for IPSASB members has in fact been *increasing* in each of the past three years, and is on par with those of the other boards.

20. The Committee reiterates its commitment to qualified and inclusive appointments to the IPSASB and to inclusiveness in all its dimensions – including gender, geography and accounting background. Such a representative Board will only strengthen the IPSASB and its mission.

### **Strategy and Work Programme**

21. The Public Interest Committee promotes the development of relevant and timely accounting standards. It does so by concerning itself with the process by which decisions on strategy and work programme are developed. It does not take a view on individual standards.



Note: 65 respondents in total, average = 4.0

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22. Eighty-four percent of respondents to the Survey scored the performance of the Public Interest Committee as “Highly Consistent,” or next best, vis-à-vis its strategy and work programme mandate. Twelve percent ranked it as being “Somewhat Consistent.” Three percent scored it as “Not Consistent,” or next lowest.

23. The lower scores reflect a concern by a small number of respondents that the activities of PIC in this area may infringe on the operational independence of IPSASB, or give rise to the perception of doing so.

24. Some respondents also noted that the present arrangements for due process review by the PIC of the strategy and work plan could be further enhanced in cases of any deviations from the agreed work programme.

25. The Public Interest Committee views the promotion of the development of *relevant and timely* standards as a crucial part of its mandate. This involves having a public sector specific focus to its review of the overall strategy and work programme, and a concern for the number of activities undertaken at a single time and its effect on overall timeliness of the development of individual standards. In this context, it has also encouraged a wide consultation process by IPSASB for the development of its strategy and work programme.

26. The Committee reiterates that it has never proposed a specific addition to IPSASB’s work programme nor rejected a specific project by IPSASB. Similarly, it has never established time deadlines for the promulgation of any standard.

27. The Committee will take up the issue of revisions to the agreed work programme as part of its discussion on overall due process with IPSASB.

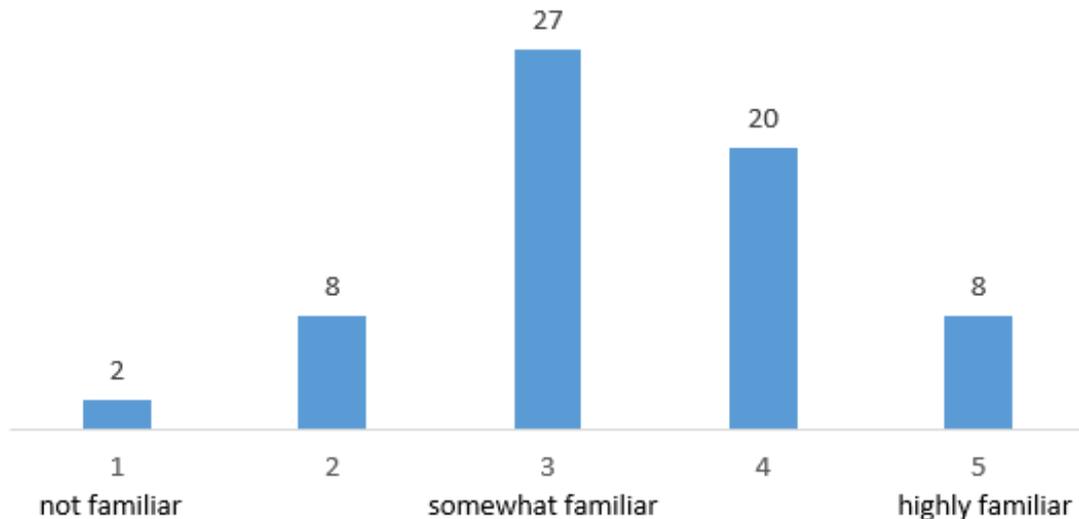
### **Visibility of the Public Interest Committee**

28. The Committee has been aware that it does not enjoy a high degree of visibility. It has generally viewed this as the result of its relatively recent establishment and the specialized nature of its functions.

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Familiarity with the Public Interest Committee,  
its mandate and activities (number of respondents per rating)



Note: 65 respondents in total, average = 3.4

29. The Survey showed that forty-three percent of respondents were “Highly Familiar,” or next best, with the Public Interest Committee. Forty-two percent were “Somewhat Familiar.” Fifteen percent were “Not Familiar,” or next lowest, with the Committee.

30. The Committee recognizes it needs to devote greater attention to communications as an integral part of its operations. It is convinced that some of the issues raised in terms of its oversight actions can in part be attributed to a lack of effective communications by the Committee.

31. The Committee will enhance its communications efforts, including upgrading its website and engaging further with various fora to discuss the activities of the Public Interest Committee activities.

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32. The remainder of the report is devoted to a discussion of the structural issues arising from the public consultation exercise.

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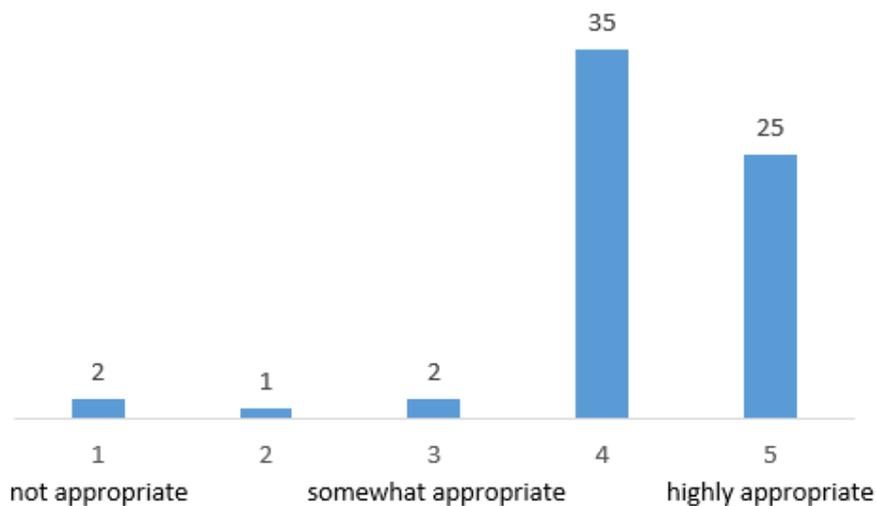
## Key Review Issues

<b>Operational Issues</b>	Oversight of Due Process Oversight of Appointment Process Oversight of Strategy Visibility of PIC Activities
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### Mandate of the Public Interest Committee

33. The previous questions focused on how the Public Interest Committee implemented its mandate. The Committee also sought observations on whether the mandate itself was appropriate.

Appropriateness of Public Interest Committee mandate  
(number of respondents per rating)



Note: 65 respondents in total, average = 4.2

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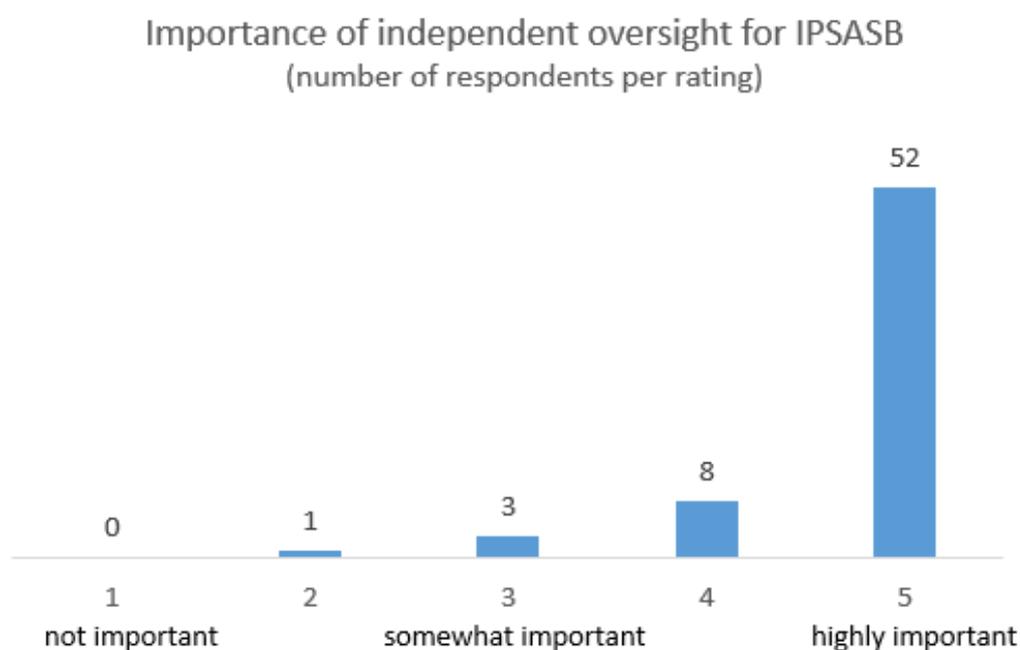
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34. The Survey showed Ninety-two percent of respondents indicated that the mandate of the Public Interest Committee was “Highly Appropriate,” or next best. Three percent ranked it as “Somewhat appropriate,” and five percent scored it as “Not Appropriate,” or next lowest.

35. The lower scores relate to the overall governance arrangements put in place and whether the mandate of the Public Interest Committee should be expanded in coverage. This is discussed further in the section on overall governance arrangements below.

### Independent Oversight

36. The Survey results clearly shows the paramount interest of respondents in the importance of independent oversight for IPSASB.



Note: 64 respondents in total, average = 4.7

37. Ninety-two percent of respondents scored the importance of independent oversight as “Highly Important,” or next best. Five percent ranked it as “Somewhat Important,” while one respondent scored it as next lowest.

38. The lower scores generally reflected an emphasis on the confidence in IPSASB itself in this respect, specifically noting that the IPSASB produced standards for eighteen years prior to the establishment of the PIC. (It should however be noted that those early standards were based on IFRS, which had been subject to public oversight themselves.)

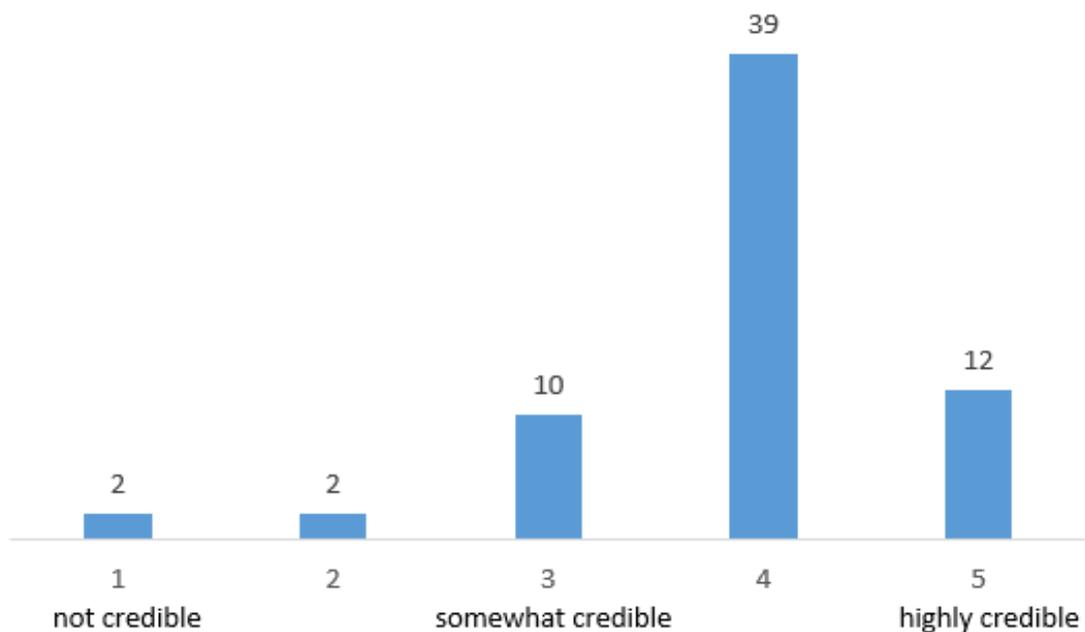
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### PIC Membership

39. The Public Interest Committee is composed of individuals from the International Monetary Fund (IMF), the International Organization of Supreme Audit Institutions (INTOSAI), the Organization for Economic Cooperation and Development (OECD) and the World Bank Group.

Credibility of Public Interest Committee composition in providing effective oversight for IPSASB  
(number of respondents per rating)



Note: 65 respondents in total, average = 3.9

40. The Survey shows that Seventy-nine percent of respondents viewed the composition of the Public Interest Committee as “Highly Credible,” or next best. Fifteen percent scored it as “Somewhat credible.” Six percent ranked it as “Not credible,” or next lowest.

41. The lower scores by some respondents reflect a desire to have a greater number of organizations represented on the Public Interest Committee, including other international organizations, regional development banks and credit rating agencies. There were also suggestions to invite representatives from national standard-setting bodies to participate as observers on the Committee.

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42. In this context, it should be noted that at the establishment of the Public Interest Committee, a wide range of organizations were consulted on participating in the Committee. Only the organizations that presently constitute the Committee agreed to join. The Committee welcomes other organizations to indicate their interest in joining. Its Terms of Reference explicitly state that “additional members of the Committee may be admitted with the consensus approval of all existing Committee members and subject to the new member accepting their responsibilities.” Similar references are for Observers to participate in the Committee.

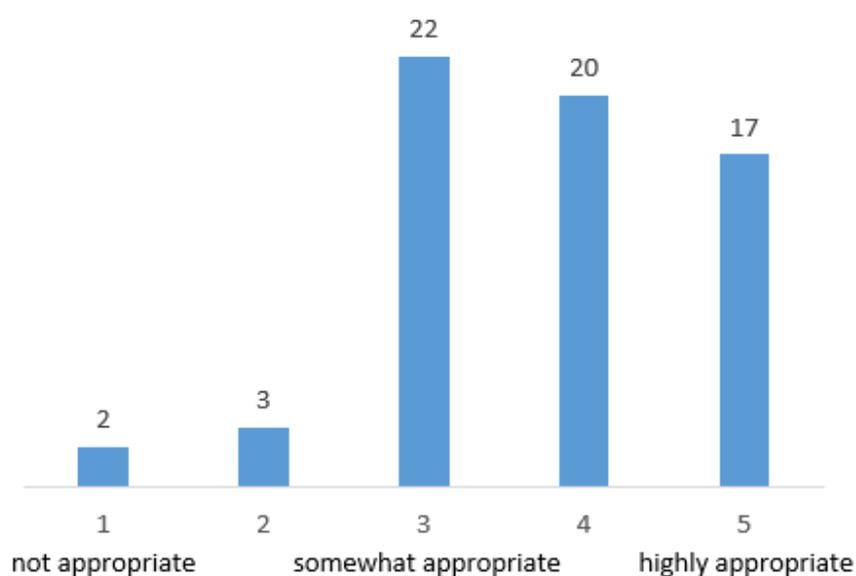
43. The Committee also makes a special note of comments regarding frequent turnover in its membership and the need for stability in its operations.

44. The Committee will review its Terms of Reference to see if any further changes are required in regard to the above.

### Overall Governance Arrangements

45. Finally, the Committee sought the opinion of respondents on the overall arrangements that were put in place five years ago for promulgating International Public Sector Accounting Standards.

Appropriateness of overall arrangement for promulgating  
International Public Sector Accounting Standards  
(number of respondents per rating)



Note: 64 respondents in total, average = 3.7

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46. The Survey indicates that Fifty-seven percent of respondents consider the overall arrangements as “Highly Appropriate,” or next best. Thirty-four percent score it as “Somewhat appropriate.” Eight percent score the overall arrangements as “Not Appropriate” or next lowest.

47. These scores are significantly lower than those for the appropriateness of the mandate for the Public Interest Committee itself. It reflects a view by some respondents that further governance reforms are needed in addition to the creation of the Public Interest Committee. The specific issues cited include the funding arrangements for the IPSASB and the appointments of IPSASB members with both being inexorably linked with the role of IFAC, its membership and the Forum of Firms.

48. These issues go to the core of the current arrangements and are outside of the scope of the present review. The Committee however feels it should highlight these concerns as they may serve to undermine trust in the overall arrangements. The Public Interest Committee stands ready to engage in such wider discussions, specifically to examine whether to extend its mandate to oversight of the funding activity for IPSASB.

### Conclusion

49. The Public Interest Committee is pleased with the overwhelmingly positive results of the public consultation exercise. It is grateful for the confidence shown by respondents in its work.

50. The Committee views *rigorous due process* so that the IPSASB delivers high quality standards as the *sine qua non* of its activities. It will initiate discussions with IPSASB on further elaborating the procedures employed in this regard, including at key milestones during the development of standards. This discussion will also encompass oversight is ensured for deviations from IPSASB’s agreed strategy and work plan.

51. The Committee reiterates its commitment to *qualified and inclusive appointments* to the IPSASB and to inclusiveness in all its dimensions – including gender, geography and accounting background. Such a representative Board will only strengthen the IPSASB and its mission. Ensuring a “pipeline” of suitable candidates for the Board is essential.

52. The Committee reiterates its focus on the development of *relevant and timely standards*. This involves having a public sector specific focus to its review of the overall strategy and work programme, and a concern for the number of activities undertaken at a single time and its effect on overall timeliness of the development of individual standards. In

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this context, it encourages a wide consultation process by IPSASB for the development of its strategy and work programme.

53. The Committee will enhance its communications efforts, including upgrading its website and engaging further with various fora to discuss the activities of the Public Interest Committee activities. It is convinced that some of the issues raised in terms of its oversight actions can in part be attributed to a lack of effective communications by the Committee.

54. The Committee welcomes other organizations to indicate their interest in joining. It will review its Terms of Reference to see if any changes are required in regard to new members and observers. It will also see if any changes to its Terms of Reference are required in regard to the appointment of members to promote stability in its operations.

55. The Committee stands ready to engage in a wider discussion on the overall governance arrangements in place, specifically to examine whether to extend its mandate to oversight of the funding activity for IPSASB.

56. Finally, the Committee would like to express its gratitude once again to all those who participated in the public consultation exercise and gave so generously of their time.