The International Public Sector Accounting Standards Board Governance Review Group

Chairs: the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD) and the World Bank.

Members: the Financial Stability Board (FSB), the International Organization of Securities Commissions (IOSCO) and the International Organization of Supreme Audit Institutions (INTOSAI).

Observers: Eurostat, International Federation of accountants (IFAC), International Public Sector Accounting Standards Board (IPSASB) and Michel Prada.

The Future Governance of the International Public Sector Accounting Standards Board (IPSASB)

IPSASB Governance Review Group - Recommendations

Background

The International Public Sector Accounting Standards Board (IPSASB) Governance Review Group (the "Review Group") was formed to (i) assess the current governance and oversight arrangements for the IPSASB's standard-setting and other pronouncements (ii) make recommendations to strengthen these structures and processes, and (iii) thereby enhance the perceived relevance, quality and legitimacy of those standards and promote their adoption.¹

Based on the responses to a public consultation that was conducted from January 17, to April 30, 2014² and discussions held at the time of its meetings on May 31, 2013 and September 22, 2014 in Paris, the International Public Sector Accounting Standards Board (IPSASB) Governance Review Group (the "Review Group") has formed a set of recommendations regarding the future governance of the International Public Sector Accounting Standards (IPSAS).

Recommendations of the Review Group

In order to strengthen the governance arrangements of the IPSASB in a timely, cost-effective, and expeditious manner, the Review Group recommends that:

- 1. The IPSASB should continue to operate under the auspices of the International Federation of Accountants (IFAC).
- 2. A single governance body, the *Public Interest Committee* (the "Committee"), should be established to ensure that the public interest is served by the standard setting activities of the IPSASB.
- 3. The Committee should be independent from IFAC and distinct from the existing governance bodies overseeing the IFAC's private sector standard-setting activities that is the Public Interest Oversight Board (PIOB) and Monitoring Group (MG).
- 4. The Committee's objectives should be to review and advise the IFAC and IPSASB on the (i) terms of reference of the IPSASB; (ii) arrangements for nomination and appointment of IPSAB members; and (iii) procedures and processes for formulation of the IPSASB's strategy and work plan and development of IPSASs to ensure that all are consistent with the

¹ The Terms of Reference for the Review Group can be found at www.oecd.org/gov/budgeting/IPSASB-Governance-Review.htm

² See *Public Consultation on the Future Governance of the International Public Sector Accounting Standards Board (IPSASB)* on www.oecd.org/gov/budgeting/IPSASB-Governance-Review.htm

- public interest. The Committee should not have a direct role in the development, adoption, and implementation of accounting standards.
- 5. The Committee should conduct a first review of the IPSASB terms of reference, nomination procedures, and standard-setting arrangements no later than the first semester of 2015, and provide advice to the IFAC and IPSASB on any potential improvements.
- 6. The Committee should meet at least annually thereafter to review progress against their recommendations and provide further guidance where necessary.
- 7. The initial membership of the Committee should include individuals with expertise in public sector financial reporting, and professional engagement in organizations that have an interest in promoting high-quality and internationally comparable financial information. Members should not accept any honoraria or other compensation for any work done in this capacity. Members should serve for a limited period, which should not exceed 3 years and be renewable for an additional 3 years. Additional members or observers, including other international and national bodies, may be admitted by consensus of the existing Committee members, taking into account the need to ensure balanced representation.
- 8. The functioning of the Committee should be defined in public Terms of Reference. Functioning rules should insure at least that (i) the Committee will meet annually and with an appropriate quorum; (ii) a Chairperson will be in charge of organizing the Committee's meetings and performing secretariat activities that is keeping minutes of meetings and records of opinions and decision of the Committee to insure an appropriate transparency of the Committee's operations.
- 9. To carry out its activities, the Committee should receive reports from the IFAC and the IPSASB regarding the procedures and processes followed in the appointment of IPSASB members, formulation of the IPSASB strategy and work plan, and development of individual accounting standards.
- 10. IFAC shall establish a separate Consultative Advisory Group (CAG) for the IPSASB. The role of the CAG should be to enable the IPSASB to receive direct feedback from interested public and private sector institutions, especially those engaged in the preparation, audit, or evaluation of public sector financial statements, on their strategy, work program, and standard-setting activities. The CAG would also provide an opportunity for IFAC and IPSASB to hear from government representatives about the technical issues that may have impeded their adoption of IPSASs.
- 11. A further public consultation on the improvements to the IPSASB's governance arrangements shall be undertaken no later than 2020.

In light of the above recommendations, the Review Group proposes that the Committee have the Terms of Reference provided in Appendix A.

Appendix A

TERMS OF REFERENCE

International Public Sector Accounting Standards (IPSAS) Board Public Interest Committee (the "Committee")

I. Background

1. International Public Accounting Standards (IPSASs) are developed by International Public Sector Accounting Standards Board (IPSASB) which operates under the auspices of the International Federation of Accountants (IFAC).

II. Objectives of the Committee

2. The Committee has been established to promote the public interest in the standard setting activities of the IPSASB.

III. Activities of the Committee

- 3. In carrying out this overall mission, the Committee shall:
 - a. review the terms of reference of the IPSASB and advise its members on any proposed changes;
 - review the IFAC Nominating Committee's reports on procedures and processes for nomination and appointment of the IPSASB members and advise the IFAC on any proposed changes; and
 - c. review the IPSASB's reports on procedures and processes for formulating its strategy and work plan and developing individual accounting standards to ensure that the views of all relevant stakeholders are sought and given due consideration, and advise IPSASB members on any proposed changes.
- 4. The Committee shall periodically review progress against its advice and provide further recommendations where necessary.

IV. Membership of the Committee

- 5. The Committee is comprised of individuals with expertise in public sector or financial reporting, and professional engagement in organizations that have an interest in promoting high-quality and internationally comparable financial information. Its membership includes, but is not limited to individuals from the:
 - a. International Monetary Fund (IMF)
 - b. Organization for Economic Cooperation and Development (OECD)

- c. World Bank Group (WBG)
- d. International Organization of Supreme Audit Institutions (INTOSAI)
- 6. The above listed organizations have the right to change the individual who serves on the Committee, or to nominate alternates.
- 7. 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 under these Terms of Reference.
- 8. The Committee may, by consensus, admit certain individuals to be observers. Observers may attend any meeting of the Committee, and share their views with other members during Committee discussions, but shall not participate in the decisions of the Committee.
- 9. With a simple majority of the members of the committee, a member, including the chairperson, may be terminated due to incapacity, poor performance, or disruptive behavior.

V. Status of Committee Members

- 10. Committee members shall serve in an ex officio capacity and their views shall not be taken to represent the views of their parent organizations.
- 11. Members will serve for a term of three years and for a maximum of two terms.

VI. Formulation of Committee Recommendations

- 12. The Committee's recommendations shall constitute non-binding advice to IFAC and the IPSASB.
- 13. In formulating its recommendations, the Committee members shall operate by consensus. However, Committee members shall have the opportunity to publish their dissenting or separate opinions, if necessary.
- 14. The Committee's recommendations shall not necessarily represent the official position of the parent organizations of its members.

VII. Transparency of Committee Operations

- 15. The membership, organization and functioning rules of the Committee will be made public.
- 16. All agendas of Committee meetings, records of Committee decisions, and Committee recommendations to the IFAC and IPSASB shall be made public in a timely manner.

VIII. Committee Chairperson

- 17. The Committee shall nominate a chairperson who shall be appointed by consensus of all members. The Chairperson role shall rotate among the Committee's members. Each term as Chairperson will last three years, renewable once.
- 18. The Chairperson's responsibilities shall include:
 - a. proposing dates, times, and locations for Committee meetings
 - b. preparation and circulation of the agenda and papers for Committee meetings;
 - c. presiding over Committee meetings, including proposing questions for discussion and decision by members; and
 - d. acting as secretary for the Committee, including keeping minutes of meetings, records of decisions taken, and preparing drafts of advice to IFAC and IPSAS Board.
- 19. The Chairperson may delegate one or more of the above tasks to other Committee members with the unanimous support of other Committee members.

IX. Committee Meetings

20. The Committee shall meet at least annually with all or a quorum of 60% of its members (present in person or by telecommunications), with the meeting agenda established by the Chairperson. Members and observers may contribute items to the agenda.

X. Committee Resourcing

21. The Committee will not have a budget. Each member of the Committee will pay its own expenses related to its participation in the Committee's operations.

XI. Termination of the Committee

22. The Committee's members may terminate the Committee at any time by consensus of its members.