



Australian Government

**Australian Accounting
Standards Board**

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Mr Fernando Roy
Chairman
The Monitoring Group
c/- IOSCO

(By e-mail to PIOB-MonitoringGroup@ipiob.org)

Dear Mr Roy,

Monitoring Group Consultation Paper

Public consultation on the governance (with special focus on organisational aspects, funding, composition and the roles) of the Monitoring Group, the PIOB and the standard setting boards and Compliance Advisory Panel operating under the auspices of IFAC

The Australian Accounting Standards Board appreciates the opportunity to comment to the Monitoring Group on its Consultation Paper (March 2012). The AASB is commenting specifically in relation to matters concerning the International Public Sector Accounting Standards Board (IPSASB) of IFAC.

The AASB adopts a transaction-neutral approach to setting accounting standards: the Standards and Interpretations (IFRSs) issued by the International Accounting Standards Board are the basis for Australian Accounting Standards (including Interpretations) that apply to both private sector and public sector entities. Our general position is that we wish to see a single set of high-quality, global international standards applicable to both the private and public sectors.

In developing requirements for public sector entities, the AASB considers the requirements of the International Public Sector Accounting Standards (IPSASs) issued by the IPSASB. For example, when the IPSASB issues an IPSAS on a public-sector-specific topic, the AASB will consider whether to issue a corresponding Australian Accounting Standard or to modify existing Standards. As a result, Australian Accounting Standards achieve a high degree of compliance with both IFRSs and IPSASs in the public and not-for-profit sectors.

Consequently, the AASB is particularly interested in the development of high-quality standards by the IPSASB and the governance and oversight arrangements for the IPSASB. We acknowledge the significant work being undertaken by the IPSASB in developing accrual accounting standards for public sector entities, and note the interest of an increasing number of countries around the world moving towards adopting IPSASB Standards. A stronger foundation for the IPSASB may encourage wider adoption of IPSASB Standards by ensuring that the IPSASB has an increased long-term capability to independently and rigorously address public sector financial reporting issues in the public interest.

We support the establishment of best-practice oversight arrangements for the IPSASB, addressing both the due process adopted by the IPSASB and a formal Consultative Advisory Group to broaden the input received by the IPSASB beyond consultative documents such as exposure drafts.

We do not express a view as to whether due-process oversight should be provided by the Public Interest Oversight Board (PIOB) or by a public-sector-specific oversight board, though we would prefer a model that could be suitably merged with the IASB's arrangements in the future (see below). The critical matter at this stage is that a credible oversight arrangement be put in place.

Under either approach, the oversight board should be suitably qualified to appreciate the issues being considered by the IPSASB, so that its due process can be evaluated in that light. This implies expansion of the oversight board (and the Monitoring Group) to include appropriately qualified members with a strong appreciation of the public sector.

The governance arrangements for the IPSASB should also give due regard to the Memorandum of Understanding (November 2011) between IFAC and the IASB, which promotes communication and co-operation between those bodies as well as with the IPSASB. We note particularly that clause 17 refers to the possibility of the IASB and the IPSASB operating under a single governing body, and this option also needs to be considered in conjunction with the proposal concerning the PIOB. Alternatively, revised arrangements for the IPSASB should not prevent or limit future co-operation between the IPSASB and the IASB, whether or not that might involve further institutional change.

If you have queries regarding any matters in this submission, please contact me or Clark Anstis (canstis@aaasb.gov.au).

Yours sincerely,



Kevin M. Stevenson
Chairman and CEO