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I am responding to the public consultation paper issued by the Monitoring Group in March 2012. As a member of the PIOB since its inception, I naturally have views on each of the issues set out in the paper, which can be dealt with through the ongoing discussions among the Monitoring Group, the PIOB, and the IFAC. However, I strongly believe that it is in the public interest for the setting of public sector accounting standards by the IPSASB to be overseen, that the PIOB should provide such oversight, and that concrete steps to do so should get underway. This letter briefly outlines the rationale underlying my personal views, in the hope that it will assist the Monitoring Group in analyzing the situation.

*Q4: Would you support the IPSASB being subject to PIOB oversight? Why? What conditions, if any, would you impose on such oversight? Would you see as a factor to take into account the fact that IPSASB deals with accounting rules instead of auditing ones?*

**I strongly support the IPSASB being subject to PIOB oversight.** The rationale for this is as follows:

1. Reliable and comparable public sector accounts serve the public interest in many ways;
2. Relevant and high-quality international standards facilitate the preparation of such accounts;
3. The IPSASB is the only body that exists for the purpose of setting International Public Sector Accounting Standards;
4. Independent oversight of standard setting contributes to the relevance, quality, and credibility of the standards, facilitating widespread adoption;
5. For these reasons, **the IPSASB should be subject to oversight.**
6. The PIOB was established to oversee the public interest activity committees of the IFAC and does so in an effective manner (according to the Monitoring Group's recent effectiveness review and the PIOB's public reports, with which I concur);
7. The PIOB's oversight focuses on the processes followed by the public interest activity committees and those related to the selection of their members, most of which are the same or very similar with respect to the IPSASB, so extending its oversight to the IPSASB would not require significant changes in oversight methodology;

8. Operational synergies (for the PIOB, the IFAC, and the Monitoring Group) can be achieved if the PIOB, rather than another body, oversees the IPSASB;
9. Both the IPSASB and the IFAC support the IPSASB being subject to oversight by the PIOB, and the IFAC has indicated a willingness to fund the additional costs associated with such oversight;
10. For these reasons, **the PIOB is the most appropriate body to oversee the IPSASB.**

**Except for formalizing the commitment of the IFAC to fund the additional costs of extending oversight to the IPSASB, I would not impose any conditions on making the IPSASB subject to the oversight of the PIOB.** However, if in the future the responsibility for the setting of public sector accounting standards ceases to fall under the IFAC umbrella, then it would be appropriate at that point to assess whether different oversight arrangements would be preferable in the new context.

It would be appropriate to expand the membership of both the PIOB and the Monitoring Group, to enhance the level of resources and breadth of backgrounds and perspectives applied to the newly-broadened scope of activity. This should contribute to the effectiveness of oversight and monitoring, as well as its credibility. Nevertheless, I would suggest that such changes be dealt with as part of the implementation process rather than as conditions to be met before such process begins. In my view, the composition of both the PIOB and the Monitoring Group are sufficiently representative of the public interest in relation to international public sector accounting to provide a credible starting point.

**I do not believe that the fact that the IPSASB deals with accounting rules instead of auditing ones is a factor to take into account.** As mentioned above, the PIOB's oversight is largely focused on due process and the processes used in developing accounting rules are similar to those used in developing auditing rules. The PIOB already oversees the setting of not only auditing and assurance standards but also ethics and education standards. Dealing with this diversity has not been a problem. Also, the team leader approach currently being tested by the PIOB should be useful in ensuring that sufficient attention will be devoted to an additional area of oversight. Finally, even if one considers that the subject matter being overseen is relevant, many current members of the PIOB have experience working in the public sector or knowledge of accounting, or both.

In closing, **I urge the Monitoring Group to take prompt action to lend its own support to the IPSASB being subject to oversight by the PIOB.** The current efforts of many officials around the world to enhance financial stability and achieve fiscal sustainability serve to highlight the importance of having reliable and comparable information on public-sector finances. A prompt and positive decision on this issue will serve the public interest by helping to achieve a situation where such information is widely available.

Sincerely,



Michael Hafeman