Contact: James Benson
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Our Ref: RMS12/03830

The Monitoring Group and PIOB Chairmen
The Public Interest Oversight Board-Monitoring Group
C/Quendo 12
28006 Madrid, SPAIN

Dear Sirs,

RE: International Organization of Securities Commissions (IOSCO) Monitoring Group’s 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 Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments on the abovementioned IOSCO Monitoring Group (MG)’s consultation paper.

HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee is comprised of the senior accounting policy representatives from all Australian States, Territories and the Australian Government.

HoTARAC is responding to question 4 of the consultation paper:

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?

HoTARAC agrees that there has been increasing focus on public sector financial reporting and the importance of independent oversight of standard setters. HoTARAC notes that the oversight arrangements for the International Accounting Standards Board (IASB) were recently reviewed. In HoTARAC’s view, the credibility of standard setting bodies and the confidence of users and other stakeholders is
substantially enhanced by robust governance arrangements. The International Public Sector Accounting Standards Board (IPSASB) notes on their website that ‘many governments, jurisdictions, and international institutions have adopted International Public Sector Accounting Standards and many more are on the road to convergence’, emphasising the need to ensure stakeholder confidence in standard setting for the public sector.

In light of these considerations, and noting the synergies and operational efficiencies outlined on page 14 of the paper, the majority of HoTARAC agrees that Public Interest Oversight Board (PIOB) oversight of the IPSASB would be appropriate in the short term, subject to the following comments.

HoTARAC recommends PIOB oversight be conditional on the appointment of additional members, preferably three, with public sector experience as envisaged on page 14 of the paper. HoTARAC would further recommend public sector experience include the preparation of general purpose financial reports. HoTARAC believes consideration should be given to appointing the additional public sector members by allocating these positions to key stakeholder groups to nominate representatives.

HoTARAC would also support a change in the composition or increase in the membership of the MG to include members with public sector experience, reflecting the broadened role of the MG and the PIOB. Further, there is a need to clarify the MG and PIOB’s roles to ensure no overlaps or gaps exist.

HoTARAC does not consider the PIOB’s existing oversight of auditing standard setters as inconsistent with oversight of an accounting standard setting body, as long as the members have sufficient expertise and they are appropriately balanced between both fields. HoTARAC would cite the Australian example of the Financial Reporting Council overseeing both accounting and auditing standard setting bodies as evidence a dual role is possible.

However, the majority of HoTARAC views PIOB oversight as a temporary measure. HoTARAC would recommend, if the PIOB arrangement is adopted, the arrangement should include a commitment to review the appropriateness of such a decision within a few years. HoTARAC believes the long term governance arrangements should be considered in conjunction with the development of a clear strategic focus for the IPSASB including the relationship with the IASB (while acknowledging the comment on page 13 that the focus of the IASB is likely to continue to be private sector entities in the near term).

A majority of HoTARAC jurisdictions would not favour the public sector exclusive oversight body model noted on page 13 of the consultation paper. The majority views the establishment of such a body as incompatible with the long term goal of convergence between IASB and the IPSASB standards. The HoTARAC majority is also concerned establishment of such a body would exacerbate existing resourcing constraints.
A minority of HoTARAC jurisdictions would recommend the establishment of a public sector exclusive oversight body, fully cognisant of public sector issues to provide greater assurance to stakeholders in the IPSASB governance process, in the mid to long term. In the minority’s view, such a body would indicate progress toward the ultimate goal of an independent international public sector standard setter role. At least one HoTARAC jurisdiction would favour progressing directly to this long term solution without the intermediate step of PIOB’s oversight.

HoTARAC would strongly advise oversight arrangements include consideration of the establishment of a consultative advisory group for IPSASB, consistent with other standard setters operating under the International Federation of Accountants and International Financial Reporting Standards Foundation umbrellas.

If you have any queries regarding HoTARAC’s comments, please contact James Benson from the Australian Department of Finance and Deregulation on 612 6215 3775.

Yours sincerely

[Signature]

Grant Hehir
CHAIR
HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY COMMITTEE

25 June 2012