

AT/PSC/

By email to: IPSASB@oecd.org

29 April 2014

Dear Sir/ Madam,

ICAS response to consultation - The Future Governance of the International Public Sector Accounting Standards Board (IPSASB)

ICAS (the Institute of Chartered Accountants of Scotland) is a professional body for more than 20,000 Chartered Accountants across the UK and internationally. We are an educator, examiner, regulator and thought leader. Our Public Sector Committee is a broad based committee of ICAS members with representation from across the public sector. ICAS's Charter requires its Committees to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first.

We welcome the opportunity to comment on the International Public Sector Accounting Standards Board Governance Review Group's consultation on the Future Governance of IPSASB. We agree that there is a need to strengthen the governance of IPSASB. Overall, our view is that there is insufficient evidence presented in the consultation paper to select a preferred option.

It is essential to the successful implementation of a governance structure to achieve the necessary level of stakeholder engagement and have in place adequate funding arrangements. We suggest that the International Review Group gathers further evidence from stakeholders, including various governments and bodies such as the European Commission, of what model is best perceived to meet their needs so that consultees can take this into consideration in formulating a response.

Secondly, evidence needs to be gathered from an evaluation of the existing governance models rather than just adopting what is used elsewhere. We would like to see this evaluation include the key principles and objectives of what an ideal governance structure should achieve. For example, option 2 offers a dual monitoring structure with the Monitoring Group and the Public Interest Oversight Board. This structure may offer greater political credibility but it is also likely to be more costly than a single structure so we also need to consider how efficient and effective existing models are in practice and who will pay.

Thirdly, a crucial decision making factor is the funding. Option 2 leverages existing funding arrangements but we need to consider if these are adequate to enable IPSASB to meet its objectives, strategy and future demands. For alternative governance models we need an answer as to how the funding gap will be addressed otherwise selecting an option will remain a theoretical exercise.

We suggest that a wider pool of funding should be investigated, such as at G20 level, to reduce the risk and perception of conflict of interests. International bodies with an interest in high quality, transparent financial reporting should also be considered as they are likely to have an incentive to support the development of high quality public sector public reporting standards. This may include the IMF, World Bank, OECD etc. amongst others.

A useful starting point would be to agree high level principles and objectives of what constitutes an appropriate governance structure. These should include (amongst others):

- A primary objective to achieve the best quality accounting standards
- Balanced representation and minimal political interference
- Independence

- Public interest
- Accountability
- Transparency
- Effective monitoring, challenge and oversight
- Adequate funding and resource
- Efficient use of funds
- Maximising the ability to leverage existing expertise and minimising unnecessary duplication
- Integration with private sector models on matters of commonality and to promote challenge, supported by sector expertise as appropriate
- Minimum deviation - consistency should only be broken where there is a clear, justifiable need of a uniquely public sector matter that is material, adversely impacts the true and fair view and is not covered by the IASB.

Our view is that in the long term, the ideal model would be based on a single authoritative body for private and public sector accounting standards.

We appreciate the sense of urgency to strengthen the governance of IPSASB but would stress that a long term solution needs a comprehensive evaluation and a quick fix is not feasible nor will it necessarily achieve the desired outcomes.

In the context of an increasingly global economy and international markets where investors need comparability of financial information across the world, making public sector information more accessible and understandable can facilitate investment and benefit economies more widely. We stress the importance of getting the foundations of governance right, with adequate stakeholder support, to strengthen accounting standard setting at an international level and minimise the risk of national or regional divergence.

If you have any questions, we would be happy to discuss further.

Yours faithfully,

ALICE TELFER
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ICAS