

February 20, 2020

The Public Interest Committee

Via electronic mail: PublicInterestCommittee@oecd.org

Dear Public Interest Committee,

Review of IPSASB Oversight Arrangements

The implementation of formal oversight arrangements through the establishment of the Public Interest Committee (the Committee) in 2015 was a critical development for the International Public Sector Accounting Standards Board (IPSASB). Through its work in the intervening period, the Committee has made strong and positive impacts on public perceptions of the legitimacy of the IPSASB, the public interest focus of the Board and its standard setting processes, as well as its approach to stakeholder engagement.

On behalf of the Board, I would like to express our gratitude to the current and former Committee members for their service, and the advice they have provided, as well as to the OECD, World Bank, IMF and INTOSAI for their support to date, and going forward.

As IPSASB Chair, I am pleased to contribute to this review of the Board's current oversight arrangements. The appendices to this letter provide responses to the questions you asked me, as the Board's Chair, to address. The development of these responses has benefited greatly from the input of IPSASB members.

The IPSASB is committed to working with the Committee to take advantage of the review to achieve further improvements in our interactions and processes, the importance of which will grow as IPSAS adoption and implementation globally continue to increase.

Sincerely,



Ian Carruthers, IPSASB Chair

PIC Q1) What value has the Public Interest Committee added to the work of the International Public Sector Accounting Standards Board?

Response

Exhibit 1 provides a list of the advice from the Public Interest Committee (the Committee) to the IPSASB since 2015, and an overview of the actions taken by the Board in response, together with their current implementation status.

The advice given has been both practical and public interest focused, demonstrating the value the Committee provides to the IPSASB. There are five main areas of change, where, although the IPSASB had already been addressing these areas to some extent, the emphasis has changed beneficially following the advice provided by the Committee.

1. Legitimacy

Prior to the creation of the Committee and the IPSASB Consultative Advisory Group (CAG), the lack of independent oversight was raised by some stakeholders as a significant deficiency. This created a barrier to IPSAS adoption and implementation in some jurisdictions. As IPSASB Chair, I regularly address a variety of stakeholder groups around the world, and such criticism is no longer raised.

2. Stakeholder Engagement

The enhanced governance processes, and the Committee's input, have changed the nature and extent to which the IPSASB discusses stakeholder related issues. The Board now routinely considers input from a broader range of stakeholder groups on available options and their impacts on implementation during its work. These perspectives have been reinforced by the very beneficial advice received from the CAG.

Examples of IPSASB actions as a result of this heightened focus on stakeholder engagement include:

- Two programs of regional roundtables (undertaken in 2018 and 2019);
- Establishment of the Public Sector Standard Setters Forum program (three already held and a fourth planned for 2020);
- Recent initiative to establish an IPSASB Academic Advisory Group;
- Expanded use of webinars;
- Workshops planned during 2020 with key stakeholder groups, such as the statistical accounting community, the UN system bodies and Francophone African countries considering, or in the process of, adopting and implementing accrual accounting; and
- More systematic tracking and communication of our outreach activities.

The Committee's support for these initiatives has included helping establish key connections. These have led to some of the important enhancements to our stakeholder outreach processes described above, which have enhanced the profile and impact of these activities. Further details are provided in Exhibit 1.

3. Work Program Focus and Public Interest Considerations

The Committee has challenged the IPSASB to balance conceptual and technical deliberations with a greater public sector focus, and broader public interest considerations. Its emphasis on completing the Social Benefits project was addressed through IPSASB's publication of IPSAS 42, *Social Benefits*, in early 2019 and, in January 2020, publication of *Collective and Individual Services (IPSAS 19 Amendments)*. Both projects were influenced by public interest considerations such as understandability, usability and practicality of the standards, as well as their impact. These factors are now being addressed in IPSASB's deliberations on other projects. Other enhancements to the Board's activities which result from Committee interventions also include the IPSASB's use of public interest focused criteria when selecting projects, and greater prioritization of public sector specific projects, and an increased profile for GFS alignment.

4. Timeliness of Standard Setting

The IPSASB's overall consciousness of 'speed to market' in standard setting has increased as a result of the Committee's interest and advice. Timeliness, while maintaining quality, is now a strategic and operational priority which is given considerable weight in the Board's deliberations. Decisions on project timeframes and implementation dates for new standards also involve balancing other factors, such as stakeholder capacity, the interconnections between projects, and adequate outreach with stakeholders. The strategic decision to prioritize the completion of the Social Benefits standard, rather than undertaking further research and/or development work, shows how the Board is addressing timeliness as a priority.

This consciousness of speed to market, together with advice from the Committee, has resulted in:

- Critical assessment of the need for consultation papers, and where this need is identified, exploring how they may be used in an innovative way, for example, as in the IPSASB Measurement project;
- Greater emphasis on problem identification, supported by the use of task forces to leverage external expertise, as well as pragmatic and strategic project scoping decisions;
- More ambitious but realistic goal setting with respect to planned timing of outputs, achieved through disciplined project management, and continuously challenging progress with the work program;
- Improved focus of plenary material at Board meetings; and
- More flexible approaches to project delivery in order to make maximum use of Board time, including more extensive use of non-plenary mechanisms, including Task Forces and Editorial Groups, enabling due process to be applied proportionately and in context, while maintaining compliance.

Despite these process improvements, situations inevitably still arise which require the IPSASB to take additional time to deliberate issues on a project, as experienced in 2019 with the Leases project.

5. IPSASB Membership Profile

The overall diversity of the IPSASB's membership, including gender balance, has increased as a result of the Committee's advice.

While care continues to be needed to maintain the technical strength of the IPSASB, the importance and consciousness of diversity in standard setting has changed significantly. The Board has taken steps to enhance its contribution to attracting and developing a pipeline of potential candidates in collaboration with IFAC. As Chair, I am committed to working with IFAC, under the oversight of the Committee, to ensure the composition of the IPSASB is diverse and that it continues to evolve.

PIC Q2) How could the Public Interest Committee be more effective in its interactions with the IPSASB to ensure it fulfils its role to ensure that the public interest is served?

Response

The IPSASB's experience of working with the Committee thus far has been positive, constructive and beneficial in terms of the organization, structure, substance and conduct of Committee sessions, as well as the engagement, preparedness and involvement of all Committee members.

The proposals below are intended to provide ideas on improvements to Committee processes that may enhance the effectiveness of interactions with the Board, and its ability to help foster a governance system which offers the best chance of maintaining, and ideally continually increasing, global confidence in the legitimacy and relevance of IPSAS. They not intended to indicate deficiencies in, or dissatisfaction with, either the Committee or its advice to date.

1. The Committee is encouraged to deepen its first-hand experience of IPSASB deliberations and processes, including how it balances priorities of different stakeholders.

The differing priorities of its various stakeholder groups, and the balances that need to be determined in order to arrive at globally relevant and workable solutions, are an extremely important part of IPSASB's standard setting work. The significance of these will continue to grow as the level of IPSAS usage, and the scale and diversity of stakeholder needs increase.

A more structured engagement program would offer several benefits to the effectiveness of Committee-IPSASB interactions:

- Stakeholder and Board confidence that the Committee formulates its advice on an informed basis, including having a more direct appreciation of the broad range of global stakeholder viewpoints;
- Enhanced understanding and appreciation by the Committee of factors that impact on nomination decisions, including the balance between diversity and technical expertise; and
- Deeper Committee insight on the nature and extent of IPSASB operating practices, including program management and the application of due process.

Such a program could be undertaken in a cost-effective manner through selective observation of discussions using a combination of physical attendance (when possible) and technology-based (video or teleconference) approaches. This would help the Committee to 'walk in the Board's shoes' and thereby ensure its recommendations address real problems and are implementable, as well as being supported by clear communication of the Committee's thinking behind its recommendations.

2. The Committee is encouraged to consider ways to protect the continuity of its institutional knowledge, including ways that may also add incremental diversity to its composition.

Recently there have been a number of changes in the Committee membership, and the related secretariat support, within a relatively short period. While the caliber of individuals involved in the Committee has remained high and the changes bring new perspectives, they can also impact on the continuity and the cohesiveness of discussions between Committee and IPSASB. For the same reasons, it is important that the Committee has processes in place to ensure timely appointments in the case of unanticipated changes in membership.

The stature and influence of the organizations from whom the Committee members are drawn has been critical factors in its success. It is therefore imperative that the Committee continues to include the OECD, IMF, World Bank and INTOSAI, as these founding organizations provide a stable and respected membership base. Adding new organizations to the current membership would have the potential to enhance the debates of the Committee and the strength of its advice and recommendations to the IPSASB.

3. The Committee is encouraged to explore ways to enhance its profile within the global stakeholder community.

The current review affords a tremendous opportunity to increase the international 'presence' of the Committee and enhance the communication of its activities to interested stakeholders.

Greater awareness of the Committee and its work would have a positive impact on achievement of our shared objectives, including stimulating stakeholder participation in IPSASB consultations and in encouraging broad-based nominations to serve on the IPSASB and IPSASB CAG.

Exhibit 1

Advice from the Public Interest Committee to the IPSASB, and Status of Action by the IPSASB

Public Interest Committee Advice	Status of IPSASB Action
<p>IPSASB to develop and finalize a specific Due Process and Working Procedures document. Such a document should emphasize the Committee’s role regarding the development of the IPSASB strategy and work plan, and the Committee’s focus on overall oversight for IPSASB activities rather than a standard-by-standard basis.</p>	<p>Actioned and implemented.</p> <ul style="list-style-type: none"> • IPSASB approved and published Due Process and Working Procedures in June 2016.
<p>IPSASB Terms of Reference should be updated and finalized, to include the addition of text reflecting the activities of the Committee role related to due process.</p>	<p>Actioned and implemented.</p> <ul style="list-style-type: none"> • The revised IPSASB Terms of Reference were approved in September 2016.
<p>IPSASB to provide to the Committee bi-annual progress reports on its standard setting activities (or more frequently as warranted or requested).</p>	<p>Actioned and ongoing.</p> <ul style="list-style-type: none"> • IPSASB activity and progress reports provided quarterly, with a comprehensive review and update provided at each Committee meeting.
<p>IPSASB to provide the Committee a report highlighting the due process and working procedures applied in the development of each final standard.</p>	<p>Actioned and ongoing.</p> <ul style="list-style-type: none"> • IPSASB provides a report to the Committee after the completion of each final standard.
<p>IPSASB public announcements related to proposed or new standards should communicate the role and involvement of the Committee.</p>	<p>Actioned and ongoing.</p> <ul style="list-style-type: none"> • IPSASB public announcements communicate the role and involvement of the Committee.
<p>IPSASB to provide the Committee with timelines applicable to all on-going projects.</p>	<p>Actioned and ongoing.</p> <ul style="list-style-type: none"> • IPSASB provides the Committee with timeline updates for all projects, at every Committee meeting.

Public Interest Committee Advice	Status of IPSASB Action
<p>IPSASB to focus its resources on enacting an accounting standard for social benefits.</p>	<p>Actioned and implemented.</p> <ul style="list-style-type: none"> • IPSAS 42, <i>Social Benefits</i> was approved in December 2018.
<p>That IPSASB explore possible actions or mechanisms to shorten the development time for major projects, including focusing resources on major projects and making greater use of task-based groups.</p>	<p>Actioned and ongoing.</p> <p>The following innovations have reduced project development time:</p> <ul style="list-style-type: none"> • Task Forces meet (virtually and sometimes, in person) in between meetings and make recommendations to the IPSASB on how to address issues on all major projects. • The IPSASB Measurement Consultation Paper included an illustrative Exposure Draft within it, to illustrate to stakeholders what the proposals would look like as a standard. • Direct input received from stakeholders during consultations and at critical points in projects through roundtable discussions (such as during the development of the Strategy and Work Plan 2019-2023, and the Natural Resources and Revenue projects).

Public Interest Committee Advice	Status of IPSASB Action
<p>IPSASB to consider adjusting annually its Work Plan to incorporate possible issues arising on the international agenda. In particular, recognizing their public interest importance, that IPSASB considered Natural Resources and on-going work on aligning IPSAS and GFS in its Work Plan and to consider assigning a higher priority to these areas during the next Work Plan review.</p>	<p>Actioned and ongoing.</p> <ul style="list-style-type: none"> • The IPSASB reviews its work program¹ at each meeting. • Natural Resources was added to the IPSASB work program in 2019. • In line with its policy statement, IPSASB considers GFS alignment in all projects.
<p>IPSASB should clarify the expected role of the Public Sector Standard Setters Forum in IPSASB activities going forward, in particular vis-à-vis the IPSASB CAG.</p>	<p>Actioned and implemented.</p> <ul style="list-style-type: none"> • The Public Sector Standard Setters Forum is a vehicle to engage with a specific stakeholder community. Unlike the CAG, it is not an institutional arrangement or part of the governance and due process of the IPSASB.
<p>IPSASB to strive to meet stakeholders' expectations to complete its major public sector-specific projects within its stated timeframes, and the IPSASB should continue to prioritize projects and focus resources on a small number of priority issues.</p>	<p>Actioned, and an ongoing item of IPSASB priority attention with discussions at every Board meeting.</p>

¹ The IPSASB now uses 'work program' rather than the past term 'work plan'. Work program was adopted to emphasize the inter-connected nature of issues, and the need for staff team working to ensure efficient and effective management of projects.

Public Interest Committee Advice	Status of IPSASB Action
<p>IPSASB strategy [IPSASB Strategy and Work Plan 2019-2023] should:</p> <ol style="list-style-type: none"> a. Make an appropriate reference to, as well as emphasize the importance of convergence with, the guidance provided by the GFS. b. IPSASB should continue to focus on standard setting as its key priority. c. IPSASB should ensure in implementing its new strategy, that it seeks opportunities to enhance collaboration with global, regional and country-level organizations interested in the benefits that public sector accountability may bring to the broader public sector administrations. 	<p>Actioned, implemented and an ongoing IPSASB priority.</p> <p>IPSASB Strategy and Work Plan 2019-2023:</p> <ul style="list-style-type: none"> • Provides information on the IPSASB GFS alignment policy (which requires consideration of GFS alignment in all projects). • Reiterates that IPSASB primary focus and resources is on standard setting and related activities. • Reaffirms the IPSASB’s commitment to implement an engagement strategy, where it collaborates with institutions to interact directly with a broad cross section of stakeholders in particular regions (for example, working with the Asian Development Bank for Asia and the African Union for Africa).
<p>The IPSASB should develop criteria to determine whether a consultation phase is necessary for a particular project. The ‘complexity’ criterion is fundamental for both IFRS convergence and public sector specific projects, and the IPSASB should be mindful in applying the criterion that the ultimate aim of shortening delays in issuing standards should be an ongoing consideration. The Committee encourages IPSASB to consider the impact on public finance, rather than just on technical aspects when it decides whether a consultation paper phase is needed.</p>	<p>Actioned, implemented for all new projects added to the Work Program.</p> <ul style="list-style-type: none"> • IPSASB has developed criteria to assess when a Consultation Paper is necessary for a particular project. These criteria were discussed with the Committee in 2018.

Public Interest Committee Advice	Status of IPSASB Action
<p>The IPSASB should strive in its strategy consultations to engage a range of representative stakeholders by leveraging multiple communication channels, including dialogue with international organizations and professional associations, as well as holding regional consultative roundtables.</p>	<p>Actioned, implemented and an ongoing IPSASB priority.</p> <p>The 2018 IPSASB strategy development and consultation process leveraged multiple communication channels to access stakeholder input, included:</p> <ul style="list-style-type: none"> • Dialogue with the Committee and CAG, during the development of the Strategy Consultation, and the finalization of the Strategy and Work Plan 2019-2023. • Roundtables with regional partners in Asia, Africa, Europe and South America to receive direct feedback from a broad cross section of stakeholders. • Public Sector Standard Setters Forum to access views of national public sector standards setters (and equivalent).
<p>IPSASB's outreach activities offer an opportunity to collect feedback on problems encountered in the implementation of IPSAS. However, the Committee notes that the IPSASB's primary focus of its resources should remain on standard setting.</p>	<p>Actioned, and an ongoing IPSASB priority.</p> <ul style="list-style-type: none"> • The IPSASB's primary focus remains on standard setting.
<p>IPSASB should consider a future post implementation review of IPSAS 42, <i>Social Benefits</i> to monitor progress related to its adoption and implementation.</p>	<p>For future action.</p> <ul style="list-style-type: none"> • The IPSASB will consider a post implementation review of IPSAS 42, <i>Social Benefits</i>, at an appropriate point after the standard becomes effective, as part of a broader consideration of post-implementation reviews.

Public Interest Committee Advice	Status of IPSASB Action
<p>IPSASB should include Natural Resources and the Conceptual Framework Limited Review in its forward IPSASB Work Plan.</p>	<p>Actioned and implemented.</p> <ul style="list-style-type: none"> • The IPSASB added Natural Resources and the Conceptual Framework Limited Scope Update to its Work Program in 2019.