



**Australian Government**

**Australian Accounting  
Standards Board**

**AASB 27-28 October 2010  
Agenda paper 12.3**

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Mr Hans Hoogervorst  
Chair  
The Monitoring Group  
c/- IOSCO

(By e-mail to [MonitoringGroup@iosco.org](mailto:MonitoringGroup@iosco.org))

Dear Mr Hoogervorst,

### **Review of the IFAC Reforms – Consultation Paper**

The Australian Accounting Standards Board appreciates the opportunity to comment on the Monitoring Group's Consultation Paper (June 2010) concerning the Group's assessment of the implementation of the 2003 reforms to the governance and standard-setting arrangements of the International Federation of Accountants (IFAC). The AASB is commenting specifically in relation to matters concerning the International Public Sector Accounting Standards Board (IPSASB) of IFAC.

The IPSASB functions as an independent standard-setting body under the auspices of IFAC, to develop high-quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements. It is one of the Public Interest Activity Committees of the IFAC, alongside the International Auditing and Assurance Standards Board (IAASB), the International Accounting Education Standards Board (IAESB) and the International Ethics Standards Board for Accountants (IESBA).

The 2003 reforms were focussed generally on IFAC's audit and assurance activities, and accordingly the Monitoring Group's Consultation Paper principally addresses those areas of IFAC's activities. However, the self-assessment by IFAC with respect to the implementation of the reforms suggested revisiting the fact that the reforms precluded the Public Interest Oversight Board (PIOB) from assuming an oversight role for the IPSASB.

The AASB therefore is disappointed that the Consultation Paper makes little mention of the IPSASB beyond noting the IFAC's suggestion. The Consultation Paper does indicate (page 11) that this is a significant matter, but there is no indication that the Monitoring Group intends to consider this in the future or to refer it to IFAC for its action. Whereas the Monitoring Group has concluded (page 10) that there are new factors in the global capital markets that bear upon the overall standard-setting governance, structure and arrangements set out by the 2003 reforms, there is no recognition in the Consultation Paper that the global financial crisis and the volume of public sector securities in the capital markets mean that

high-quality financial reporting by governments and other public sector entities is of the utmost importance.

*Fundamental Review is Needed*

The Consultation Paper notes (page 11) that the Monitoring Group proposes a subsequent effectiveness review approximately three years after the completion of the current review. However, the "new factors" acknowledged by the Monitoring Group suggest that the Group should undertake a review to consider whether fundamental changes to standard-setting governance, structure and arrangements are appropriate, in relation to both the audit and assurance activities of IFAC and also its public sector accounting standard-setting activities.

The AASB considers that a fundamental review of the IPSASB's standard-setting arrangements should be carried out, whether by the Monitoring Group or by IFAC itself. We note that questions of reforming the governance, structure and arrangements of the IPSASB have been discussed in detail by the IPSASB and the IFAC Board since early 2009, which led to the IFAC suggestion in its self-assessment, noted above. The IPSASB is keen to explore the role of oversight and governance in a wider sense in relation to its activities.

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 in 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.

Therefore, the AASB proposes that the Monitoring Group should work with the IFAC Board to fully review the IPSASB's standard-setting arrangements, including its funding and resources, and develop reform proposals for public comment. As a Public Interest Activity Committee of the IFAC, the IPSASB arrangements also deserve the specific attention of the Monitoring Group.

If further information or clarification is required regarding any matters in this submission, please contact me or Clark Anstis, Senior Project Manager (e-mail: [canstis@aab.gov.au](mailto:canstis@aab.gov.au)).

Yours sincerely,



Kevin M. Stevenson  
Chairman

cc Robert L. Bunting, President, IFAC  
Ian Ball, Chief Executive Officer, IFAC  
Prof Andreas Bergmann, Chair, IPSASB