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International Monetary Fund (IMF)
Organisation for Economic Co-operation
and Development (OCDE)
World Bank

Re: The Future Governance of the International Public Sector Accounting Standards Board (IPSASB) – public consultation

The CNOCP welcomes the opportunity to comment on the public consultation *The Future Governance of the International Public Sector Accounting Standards Board (IPSASB)* issued by the IPSASB Governance Review Group.

The CNOCP strongly believes that the governance of the international public sector accounting standard-setter is a fundamental issue of the utmost importance. As such, that issue should be subject to careful as well as extensive thinking to ensure a sound governance, key to governments' adhering to an international high quality set of public sector accounting standards meant to enhance harmonisation, comparability and transparency in fiscal reporting.

Broader thinking should be primarily based on an accurate description of the concepts that underlie the public sector at large. A key feature is the complexity of the public sector, first because of its strong connections to public policies, second because of the numerous worldwide various situations that bear huge financial effects, namely at governments' levels.

Because of that complexity, the broad picture of the public sector is fundamentally different than that of the private sector, even though most interested parties would agree that some operations and transactions share similarities. From an accounting angle, the CNOCP is fully convinced that those similarities and those only should lead to the use of highly converging accounting principles.

For the reasons stated above, the CNOCP is of the view that sound governance for the international public sector accounting standard-setter should result from carefully processed objectives that take roots in priority in the identification and description of the public sector features.

Broadly, of the three proposed options, the CNOCP would favour the option of a full fresh start for the governance of the international standard-setter board, i.e. option 3. Ideally, one or more international organisations in charge of public management would oversee the IPSASB's activities, following the example of the production of the System of National Accounts under the auspices of the United Nations and four other international organisations. Were it not for the resource issues a project that would implement that option would have to face, the CNOCP strongly believes that it is by far the best solution.

Thus dropping option 3 for impracticability reasons, the CNOCP would therefore go for option 2 with separate monitoring and oversight boards for the IPSASB still under the auspices of IFAC. Even then, the CNOCP strongly believes that the separate monitoring and oversight boards should be created anew. It is the opinion of the CNOCP that extending the existing Monitoring Group or PIOB composition with a view to merely increase public sector representation would definitely not be the way forward.

In short, the CNOCP sees the monitoring board as playing a more public policy role than the oversight body whose role should be more deeply rooted in technical matters. Both boards should be liaising periodically.

Responses to the specific questions in section V of the public consultation are presented in more detail in the appendix to this letter.

On behalf of the CNOCP that met on April the 2nd, 2014
The General Secretary

Marie-Pierre Calmel

APPENDIX

Question 1: *Do you agree there is a need to strengthen the monitoring and oversight of the IPSASB? If so, do you favor:*

- a) *Monitoring and oversight of the IPSASB by the IFRS Foundation's Monitoring Board and Trustees?*
- b) *Separate monitoring and oversight boards for the IPSASB, while it remains under the auspices of the IFAC?*
- c) *Reestablishing the IPSASB outside of IFAC with its own monitoring and oversight bodies?*
- d) *Another approach, including some combination or sequenced implementation (e.g., short-term/long-term approaches) of the above options? If so, please describe.*

The CNOCP is of the view that it is fundamental to revise, and not merely 'strengthen', the monitoring and oversight of the IPSASB.

Because the public sector is fundamentally different from the private sector, it is sound to question the legitimacy and the relevance of the actual organisation of the oversight of the IPSASB that lies under the auspices of the IFAC, a professional organisation that primarily deals with entities within the private sector.

Therefore, the CNOCP thinks that the best way forward is a proposal to establish the IPSASB outside of IFAC with its own monitoring and oversight bodies created anew. In such an organisation, public sector professionals would be widely represented.

However, the CNOCP has a clear understanding of how difficult it would be to re-establish the resources the IFAC benefits from.

As far as option 1 is concerned, the CNOCP believes that extending the scope of the IFRS Foundation's Monitoring Board and Trustees activities would have significant implications for the Foundation. In addition, it would probably not solve the issue of the involvement of public sector stakeholders any better than option 2.

Thus dropping options 1 and 3 for impracticability reasons, at least in the short term, the CNOCP would therefore go for option 2 with separate monitoring and oversight boards for the IPSASB still under the auspices of IFAC. Even then, the CNOCP strongly believes that the separate monitoring and oversight boards should be created anew. It is the opinion of the CNOCP that extending the existing Monitoring Group or PIOB composition with a view to merely increase public sector representation would definitely not be the way forward.

Under those circumstances and for the reasons stated above, the CNOCP would like to stress that it is critical that the independent oversight bodies of the IPSASB should be essentially composed of professionals that are highly competent in public sector matters and that have at heart the general public interest worldwide.

Question 2: *Do you agree with the proposed remit for the IPSASB monitoring and oversight body(ies) in section IV, paragraph A? Are there other issues that should be addressed?*

Section IV, paragraph A describes the remit of the monitoring and oversight bodies for the IPSASB. While they agree with the elements identified in the proposal, the CNOCP is concerned that the description does not clearly articulate the role of the monitoring body and that of the oversight body. Therefore, the CNOCP would appreciate that the Review Group takes the analysis further down the path of providing a clear role for each body, beyond the proposed composition of each body provided in paragraph B.

Getting into details, the CNOCP sees the monitoring board as playing a more public policy role though liaising with the oversight body, whose role should be more deeply rooted in matters of governance, such as the appointment of board members, approving the work programme and broad directions on technical issues, as well as monitoring the due process.

As such, the CNOCP could envisage that the remit of the monitoring body be primarily based on:

- Ensuring that the public interest is appropriately served; and
- Establishing and reviewing with relevant frequency governance arrangements.

The oversight body would then take on the standard-setting strategy both in process and from a technical angle, among which approving the work programme and broad directions on technical issues.

However, when it comes to overseeing the implementation of the standards, the CNOCP strongly believes that such activity should be left to the jurisdictions that adopt IPSASs.

With respect to the remit of the oversight bodies, another issue of concern to the CNOCP is that of the scope of the financial information covered by the international public sector standard-setter. More specifically, the CNOCP believes that financial reporting at large beyond financial statements information should not fall within the remit of the IPSASB. That position was expressed in responses to exposure drafts to the two first Recommended Practice Guidelines published in 2013 by the IPSASB on long-term sustainability of an entity's finances and on financial statement discussion and analysis.

The main reason for limiting the activities of the IPSASB to financial statements is that financial reporting at large within the public sector touches on technical and political matters that may go far beyond accounting techniques and for which the IPSASB has insufficient competence.

Because the CNOCP believes that the remit of the IPSASB's activities should be limited as discussed above, they are convinced that the existence of an oversight body is critical to ensure that the set limits are respected, e.g. in reviewing the IPSASB's strategy and work programme.

Question 3: *Do you agree with the proposed composition of the IPSASB monitoring body in section IV, paragraph B? Are there any other institutions or stakeholders who should be represented?*

The CNOCP commends paragraph B that clearly underlines one of the specificities of the public sector financial information that is the particular nature of their users.

However, the CNOCP is of the view that though a critical aspect, reflecting on the composition of the bodies is insufficient. More specifically, for transparency purposes, membership criteria and a process for appointments should be proposed as well as the main conditions of service, namely the service term.

With respect to primary resource providers and users, the CNOCP agrees that organisations representing the interest of Parliaments should come first in the composition of the monitoring body; however seats for organisations representing citizens seem less realistic, because one may question the legitimacy of such organisations. Rather, the CNOCP would support that seats should be dedicated to States' representatives, as this would ensure liaison with politics. In addition, involvement of supreme audit institutions would be more useful at the oversight body technical level, though observer positions would be welcome within the monitoring board.

With regards to secondary resource providers and users, the CNOCP is of the view that securities and other financial sector regulators should be represented through their international representative bodies only, so as to preserve a sense of public interest.

In addition, the CNOCP would like to raise a concern with respect to the fact that the international organisations in charge of public management (e.g. the IMF, the OECD, the United Nations, etc.) may choose to only have an observer role; rather, it is essential that those international organisations should be taking full responsibility at monitoring level to ensure cohesiveness with a view to a long-range involvement.

Question 4: *Do you agree with the proposed composition of the IPSASB oversight body in section IV, paragraph B? In addition to the public sector background, are there any other competencies, interests, or stakeholders who should be represented?*

The CNOCP agrees that individuals that would compose the oversight body should be highly competent in both financial reporting and public sector matters. However, they believe that providing a description of current functions and positions of those individuals might help in figuring out the composition of the oversight body.

As such, the CNOCP believes that high level officials competent in public sector accounting and financial management would be a match as they would be able to liaise with both the monitoring board on more political issues as well as with the IPSAS board on more technical issues.

Question 5: *Are there any other aspects related to the governance of the IPSASB which you believe the Review Group should consider before presenting its final recommendations? If so, please describe.*

In connection to the above comment (see question 3) on the necessary involvement of international organisations in charge of public management, the CNOCP believes that a relevant illustration is the work performed to produce the System of National Accounts (SNA). The project was carried out under the auspices of the United Nations, the European Commission, the Organisation for Economic Co-operation and Development, the International Monetary Fund and the World Bank Group.

The SNA is the international statistical set of standards for national accounts that provides a comprehensive, consistent and flexible set of macroeconomic accounts for policymaking. It is worth noting that cooperation between the respective five organisations cited above is a long standing one as the first set of standards was issued in 1993. Also, the SNA is of large use across the world, the five international organisations involved bearing full legitimacy to establish and release the standards.