

Swiss Comments to

Consultation Paper The Future Governance of International Public Sector Accounting Standards Board (IPSASB)

Table of Content	Page
1. Introduction.....	1
2. Question 1	1
3. Question 2	2
4. Questions 3 and 4	2
5. Question 5	3

1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the Ministers of Finance at the cantonal level.

One of its tasks is to issue a consolidated statement for all the three Swiss levels of government (municipalities, cantons and Confederation), and on behalf of them, when international consultations take place.

As a result, this response reflects a consolidated response of the whole Swiss state sector. In Switzerland the state sector involves the Confederation (central government), the 26 cantons (i.e. states), and the municipalities. The response also reflects the view of the government audit offices active at all these three tiers.

2. 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 SRS-CSPCP is of the opinion that the monitoring and oversight of the IPSAS Board should be strengthened. Such oversight exists for other organisations and provides a certain guarantee that their various procedures (nominations, work plans, consultations, etc.) are performed properly and validly. The SRS-CSPCP believes that it is important that any future strengthening of oversight does not give way to a politicization of the standard-setting activities. In addition, care should be taken that the creation of this improved oversight is not too expensive and does not become a complex bureaucracy.

However, cost should not be the main concern. Independence, especially from various state institutions, must be a first priority. Further criteria for the oversight body are credibility and legitimacy.

Considering the proposed alternative and this set of criteria, the position of the SRS-CSPCP is as follows:

Alternative a) does not guarantee independence. The SRS-CSPCP therefore rejects it.

Alternative b) implying the creating of a public sector version of the PIOB is probably cost and time saving. More significantly, it would certainly ensure a functional independence. However, for better or for worse, there remains an administrative dependence on IFAC. Seen from the outside this prevents a feeling of complete independence.

If one considers Alternative c), at first sight it provides greater independence, credibility and legitimacy. But upon closer inspection, the obvious risk exists of politicising the control body and, as a result, the above mentioned criteria would suffer. Additionally Alternative c) is also very expensive and bureaucratic.

Therefore Alternative b) appears to be the only solution for the oversight of the IPSASB, and it is really an effective and feasible option.

Ultimately, the SRS-CSPCP supports the choice of Alternative b). But it proposes in addition that after a defined period (say after 5 years) a first comprehensive review should take place.

3. 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?

The document presented does not clearly describe how many bodies would be created and how the scope of duties would be arranged between these bodies. The SRS-CSPCP takes the view that more than one oversight body is not required. It would not increase the quality of the quality of the standard-setting provided by the IPSASB which is already high.

As already mentioned above, the structure surrounding the oversight body should be as light as possible. With two or more oversight bodies, this would not be the case. One single body should have full responsibility for oversight of the IPSASB.

The SRS-CSPCP wishes that following scope of duties would be granted to the oversight body:

- a) possibility of not only electing the members of the IPSASB, but also removing them (the reasons for removal are to be laid down, see also our response to the next question)
- b) acceptance and approval of the annual activity report, including the annual accounts, of the IPSASB.

4. Questions 3 and 4

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?

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?

As the SRS-CSPCP advocates for a single body for the oversight of the IPSAS Board, Questions 3 and 4 are answered together.

The SRS-CSPCP proposes that a document should be drafted containing the organisational rules for and the functioning of the oversight body. This document should also mention the scope of duties of the oversight body (e.g. appointment and removal of the IPSASB). The document to be drawn up should also clarify how the monitoring and oversight body is to be composed. Following criteria are important for its composition:

- Limited number of people (five or seven)
- Limited period of office for members of this body
- Technical skills and experience

Ideally this public sector version of the PIOB should be composed of representatives of the IMF, OECD, Eurostat and financial supervisors.

These so-called organisational rules should be distributed for consultation, in the same way as are the IPSASB Exposure Drafts and Consultation Papers.

5. 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.

The SRS-CSPCP is of the opinion that the proposed structure of the oversight body with a division into two bodies would be too complex, too expensive. Furthermore it, would not provide additional benefits compared to a single oversight body. For this reason it strongly rejects it (see response to Questions 3 and 4).

If ever Alternative c) were chosen, it is particularly important that the oversight body is neither a state nor a political institution, in order that its independence, credibility and legitimacy are guaranteed.

Lausanne, April 9, 2014