



2022-2023 Annual Improvements to Public Sector Accounting Standards

Responses to Exposure Draft

March 2023

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October 7, 2022

Re: PSAB Exposure Draft - 2022-2023 Annual Improvements to Public Sector Accounting Standards

Dear Mr. Puskaric,

We have read the above-mentioned Exposure Draft that was issued August 2022 and are pleased to have the opportunity to provide responses to your specific question as outlined below.

1. *Do you agree with the proposed amendments to replace the term “summary financial statements” with “financial statements” in applicable individual standards?*

We agree with the proposed amendments to replace the term “summary financial statements” with “financial statements” in the applicable individual standards laid out in the Exposure Draft. However, we do not agree with the proposed amendments to replace the terms “summary financial statements” and “financial statements” with financial reports. The term financial reports does not currently appear to be defined in the PSA Handbook, and this is a term that is used in many different ways in practice. For example, the term financial reports is often used to include the financial statements, as well as an entity’s annual report or management discussion and analysis information. Lately, the terms financial reports and financial reporting are being used to include sustainability reporting information as well. Therefore, to reduce unintended consequences, we suggest that only the term financial statements be used as this is a well understood term among the financial and non-financial community. If the Board decides to retain the use of the term financial reports, we believe it should be clearly defined in the PSA Handbook and that the definition be consistent with that of financial statements.

2. *Do you agree with the proposed amendments to clarify the Introduction to Public Sector Guidelines and remove the outdated guidance related to local governments?*

We agree with the proposed amendments to clarify the Introduction to Public Sector Guidelines and remove the outdated guidance related to local governments.

3. *Do you agree with the proposed amendments to the transitional provisions in Section PS 3160 to explicitly outline that early adoption is permitted?*

We agree with the proposed amendments to the transitional provisions in Section PS 3160. We appreciate the Board clarifying that early adoption of this Section is permitted.

4. *Do you agree with the proposed amendments to replace some references of “power” to “ability”?*

We agree with the proposed amendments to replace the references to “power” with “ability” in the specific paragraphs outlined in the Exposure Draft. We appreciate that the Board is not proposing amendments to how the term power is used in Section PS 1300, *Government Reporting Entity*, at this time, as we believe any future changes to that Section will require more analysis to ensure they do not result in unintended consequences for control conclusions.

5. *Do you agree with the proposed amendments to align existing appendices in the PSA Handbook with categories of guidance established by IPSAS?*

We agree with the proposed amendments to align existing appendices in the PSA Handbook with categories of guidance established by IPSAS.

6. *Do you agree with the proposed amendments to correct for grammatical errors in the decision tree in Section PS 3050?*

We agree with the proposed amendments to correct for grammatical errors in the decision tree in Section PS 3050.

7. *Do you agree with the proposed amendments to PSG-8 to clarify application to inter-entity transactions?*

While we agree with amending PSG-8 to clarify application to inter-entity transactions, we have the following concerns with the proposals.

First, the removal of “inter-entity transactions” from paragraph PSG-8.2 appears to result in a contradiction to the definition of a purchased intangible in paragraph PSG-8.1, as by definition, a purchased intangible results from an arm’s length transaction. This contradiction may be remedied by amending the proposed paragraph PSG-8.2A to state, “For the consolidated reporting entity, only intangibles “originally” purchased...”

Second, the amendments proposed to PSG-8 to allow for the recognition of purchased intangibles from inter-entity transactions are confusing since PSG-8 does not contain specific guidance on recognition and measurement but instead directs the user to the general guidance in Section PS 1000, *Financial Statement Concepts*, and the Sections outlined in paragraph PSG-8.7. However, PSAS contains Section PS 3420, *Inter-entity*



Transactions, which provides specific guidance on the recognition and measurement of inter-entity transactions. Therefore, we believe clarification is needed to explain how Section PS 3420 interacts with PSG-8 for purchased intangibles that are originally purchased via an arm's length transaction and subsequently transferred within the reporting entity.

Thank you for your consideration of the above-noted responses. We would be pleased to elaborate on our comments in more detail if you require.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Sayja Barton'.

Sayja Barton, CPA, CA, MAcc
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October 4, 2022

By email: mpuskaric@psabcanada.ca

To: Michael Puskaric, CPA, CMA
 Director, Public Sector Accounting
 Public Sector Accounting Board
 277 Wellington Street West
 Toronto ON M5V 3H2

From: The City of Calgary

Re: PSAB Exposure Draft – 2022-2023 Annual Improvements to Public Sector Accounting Standards

Purpose:

The purpose of this memo is to provide to the Public Sector Accounting Board (PSAB) the City of Calgary’s (“The City” or “City”) commentary and input on the 2022-2023 Annual Improvements to Public Sector Accounting Standards Exposure Draft issued in August 2022. All responses have been prepared by The City’s Corporate Financial Reporting team.

The City’s Response:

The City agrees with the proposed amendments in the Exposure Draft as these amendments reflect the current terminologies, current processes, or are editorial changes in nature, and are appropriate for the interpretation of the standards. The proposed amendments are not expected to affect The City’s practice.

Please see table for The City’s detailed response:

Ref.	PSAB Proposed Amendments	City Comment
1	Amendments to replace the term “summary financial statements” with “financial statements” or “financial reports” in the PSA Handbook.	The City is in agreement with the proposed amendment as it is the language PSAB and stakeholders use today. No concerns with the proposed amendment.
2	Amendments to clarify the Introduction to Public Sector Guidelines and to remove outdated guidance related to local governments.	Since the guidance related to local government is no longer used in practice, it is appropriate to remove the guidance and update the introduction to reflect current processes. No concerns with the proposed amendment.
3	Amendments to transitional provisions in Public Private Partnerships, Section PS 3160, to explicitly state that early adoption is permitted.	The current transitional provisions do not explicitly state early adoption is permitted; therefore, such amendments are appropriate. No concerns with the proposed amendment.
4	Amendments to update some references of “power” to “ability” or “authority”.	The purpose is to remove the discrepancy in how “power” is used throughout the PSA Handbook and to ensure the consistent use of “power” only in relation to unique powers and rights of government and the use of “ability” or “authority”

		when referring to the general sense of “power”. No concerns with the proposed amendment.
5	Amendments to align existing appendices in the PSA Handbook with categories of guidance established by IPSAS.	These are editorial changes to designate appendices as AG (vs. A) or IE (vs. B) with renumbering of paragraphs as AG or IE (vs. A or B). No concerns with the proposed amendment.
6	Amendments to correct for grammatical errors in the decision tree in Section PS 3050.	This is to correct grammatical errors in the decision tree in the Appendix to PS 3050. No concerns with the proposed amendment.
7	Amendments to PSG 8 to clarify application to inter-entity transactions.	The purpose is to prevent unintended consequence from not recognizing intangibles purchased through an inter-entity transaction that was originally purchased from outside a reporting entity but would be written off to expense on acquisition. No concerns with the proposed amendment.
Other	Amendments to incrementally change PSA Handbook terminology from “government” to “public sector entity: as appropriate	This will improve the applicability of PSAS and thus understandability. No concerns with the proposed amendment.

Conclusion:

Our responses to your questions take into consideration The City stakeholders and ultimately the users of the annual consolidated financial statements of The City and their needs. The City strives to continue developing a high degree of public knowledge, trust, and delivering value for our citizens.

Thank you for your consideration of our responses. If you have any further questions, please contact me at (403) 268-1734.

Sincerely,

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 The City of Calgary
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Comments document regarding 2022-2023 Annual Improvements to Public Sector Accounting Standards

From: CAGFO PSA Committee (Canadian Association of Government Finance Officers Public Sector Accounting Committee)

1. Do you agree with the proposed amendments to replace the term “summary financial statements” with “financial statements” in applicable individual standards?

The term Financial Statements is clear to us, while summary suggests a snapshot, part of the financial statements or another kind of synopsis. We believe there are Financial Statements (5) that must be presented if applicable and the rest of the information is in the form of notes, schedules, and supplementary information. The change clarifies the language.

We also prefer the term public sector entity as the former term of government, at times, was confusing to some entities and users who assumed only the levels of government were public sector and not the consolidated entities, such as government not for profit organizations.

2. No comments
3. Do you agree with the proposed amendments to the transitional provisions in Section PS 3160 to explicitly outline that early adoption is permitted?

We agree with this explicit statement especially since many public sector entities have already implemented P3’s using individual guidance from the various sections of the handbook. This section is much easier to follow than the prior method available.

4. Do you agree with the proposed amendments to replace some references of “power” to “ability”?

This is an improvement we agree with. Power defined specifically as unique powers and rights only in situations where that is clear makes sense. In other situations, ability or authority is clearer.

5. Do you agree with the proposed amendments to align existing appendices in the PSA Handbook with categories of guidance established by IPSAS? Given the decision to adapt IPSAS where appropriate, this aligns with decisions already made, though the particulars in this document are mostly administrative and will make comparisons between the standards clearer and more obvious.
6. Do you agree with the proposed amendments to correct for grammatical errors in the decision tree in Section PS 3050?

Yes, of course.

7. Do you agree with the proposed amendments to PSG-8 to clarify applications to inter-entity transactions?

Yes, we agree. This makes it very clear that it needs to be a net new intangible purchased in an exchange transaction.

The only other comment is that there is a note that PS 2500 won’t change the word government to public sector entity or entity until future improvements. One commentor felt this could be confusing and seems inconsistent. It begs the question why, which was answered as being due to the complexity

of consolidated financial statements. We wonder if using both terms now can also cause confusion and look forward to this being changed in a future project.

October 11, 2022

Michael Puskaric
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Canada

Subject: Invitation to Comment – Exposure Draft: 2022-2023 Annual Improvements to Public Sector Accounting Standards

Dear Mr. Puskaric,

We thank you for the opportunity to provide comments on the above noted exposure draft (“ED”) regarding the 2022-2023 Annual Improvements to Public Sector Accounting Standards.

Our response was developed collaboratively between practitioners that have a deep knowledge of public sector entities and organizations ranging from government components and organizations to municipalities, provincial and federal governments.

Please find attached our comments to the specific questions raised in the Exposure Draft. If you have any questions, please contact Matt Colley (mcolley@deloitte.ca) at 416-643-8428.

Yours truly,



Albert Kokuryo, CPA
NPPD Audit Private
Deloitte LLP

Appendix A

Public Sector Accounting Standards 2022-2023 Annual Improvements

1. Do you agree with the proposed amendments to replace the term “summary financial statements” with “financial statements” in applicable individual standards?

We agree with the amendment to replace the term “summary financial statements” with “financial statements”. However, the proposed change also considers using the term “financial reports” which is not defined in Public Sector Accounting Standards. This may cause diversity in practice due to broad application and subject to interpretation (i.e. any schedule that contains any financial information could be considered a financial report). We recommend that the term “financial reports” be clearly defined if used in any applicable standard.

2. Do you agree with the proposed amendments to clarify the Introduction to Public Sector Guidelines and the removal of outdated guidance related to local governments?

We agree with the proposed amendments.

3. Do you agree with the proposed amendments to the transitional provisions in Section PS 3160 to explicitly outline that early adoption is permitted?

We agree with the proposed amendments.

4. Do you agree with the proposed amendments to replace some references of “power” to “ability”?

We agree with the proposed amendments.

5. Do you agree with the proposed amendments to align existing appendices in the PSA Handbook with categories of guidance established by IPSAS?

We agree with the proposed amendments.

6. Do you agree with the proposed amendments to correct for grammatical errors in the decision tree in Section PS 3050?

We agree with the proposed amendments.

7. Do you agree with the proposed amendments to PSG-8 to clarify application to inter-entity transactions?

We note that the proposed amendments to PSG-8 do not address the measurement criteria. Consequently, entities would look to other standards, such as Section PS 3420 Inter-entity Transactions, to address the measurement of purchased intangibles exchanged in an inter-entity transaction. We suggest that the proposed amendments to PSG-8 consider including measurement criteria or reference to Section PS 3420.

Additionally, the proposed removal of the scope exclusion for inter-entity transaction in paragraph 2 of PSG-8, results in a contradiction to the definition noted in first paragraph of PSG-8, since inter-entity transactions by definition are not considered to be an arm's length exchange. We believe it would be helpful to amend the first paragraph of PSG-8 to note that purchased intangibles are those that are originally or initially acquired through an arm's length exchange transaction.

Mr. Michael Puskaric, CPA, CMA
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Via: online submission

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October 5, 2022

SUBJECT: EXPOSURE DRAFT 2022-2023 ANNUAL IMPROVEMENTS TO PUBLIC SECTOR ACCOUNTING STANDARDS (OCTOBER 2022)

Dear Mr. Puskaric:

Grant Thornton LLP (hereinafter “we”) would like to thank you for the opportunity to provide comments on the Public Sector Accounting Board’s (hereinafter the “PSAB”) Exposure Draft, 2022-2023 Annual Improvements to Public Sector Accounting Standards (hereinafter the “ED”). Please see our comments below:

1. Do you agree with the proposed amendments to replace the term “summary financial statements” with “financial statements” in applicable individual standards?

Yes, we agree.

2. Do you agree with the proposed amendments to clarify the Introduction to Public Sector Guidelines and the removal of outdated guidance related to local governments?

Yes, we agree.

3. Do you agree with the proposed amendments to the transitional provisions in Section PS 3160 to explicitly outline that early adoption is permitted?

Yes, we agree.

4. Do you agree with the proposed amendments to replace some references of “power” to “ability”?

Yes, we agree. We also believe that in addition to adding a footnote to the Conceptual Framework, that the PSAB should add a footnote to Section PS 1300 to explain the different use of the term power from the conceptual framework.

5. Do you agree with the proposed amendments to align existing appendices in the PSA Handbook with categories of guidance established by IPSAS?

Yes, we agree.

6. Do you agree with the proposed amendments to correct for grammatical errors in the decision tree in Section PS 3050?

Yes, we agree.

7. Do you agree with the proposed amendments to PSG-8 to clarify application to inter-entity transactions?

Yes, we agree.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'MJ', with a long horizontal flourish extending to the right.

Melanie Joseph, CPA, CA

National Leader – Private Company and Public Sector Reporting
National Professional Practice Group – Accounting Standards
Grant Thornton LLP



Québec, le 14 octobre 2022

Michael Puskaric, CPA, CMA
Directeur, Comptabilité du secteur public
Conseil sur la comptabilité dans le secteur public
277, rue Wellington Ouest
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**OBJET : Commentaires sur l'exposé-sondage « Améliorations annuelles
2022-2023 des Normes comptables pour le secteur public »**

Monsieur,

Vous trouverez ci-joints nos commentaires concernant l'exposé-sondage mentionné en objet.

Je vous prie d'agréer, Monsieur, mes salutations distinguées.

La contrôlease des finances,

Lucie Pageau, CPA

p. j. (1)

QUESTIONS DU CCSP - COMMENTAIRES DU CONTRÔLEUR DES FINANCES

1. **Appuyez-vous les modifications proposées qui visent à remplacer le terme « états financiers condensés » par « états financiers » dans les normes pertinentes?**

Les modifications proposées pour le recours à « états financiers » ou « rapports financiers », selon le cas, nous conviennent généralement. Nous avons toutefois les commentaires suivants :

- Les paragraphes SP 3060.60 et SP 3450.A73 utilisent également le terme « états financiers condensés » (version française). Ceux-ci devraient être remplacés par « états financiers ».
- L'annexe B du chapitre SP 4250 indique dans la **note X : Placements** de l'exemple 1 « états financiers condensés » (« financial summaries » dans la version anglaise). Ce terme devrait être remplacé par « états financiers ».
- Nous nous questionnons sur l'à-propos de modifier les bases de conclusions. Il s'agit de documents préparés par les permanents du CCSP au moment d'une modification apportée au Manuel du secteur public et nous croyons qu'il est approprié que les termes utilisés au moment de l'élaboration de ces normes soient conservés.

2. **Appuyez-vous les modifications proposées qui visent à clarifier la Préface des notes d'orientations du secteur public et à supprimer des indications périmées relatives aux administrations locales (aussi appelées « gouvernements locaux »)?**

Nous sommes d'avis qu'il convient de clarifier la Préface des notes d'orientations du secteur public et de supprimer les indications périmées relatives aux administrations locales.

3. **Appuyez-vous les modifications proposées qui visent à mettre à jour les dispositions transitoires du chapitre SP 3160 pour énoncer expressément que son adoption anticipée est permise?**

La modification proposée nous convient, toutefois, nous croyons que les indications concernant la date du 1^{er} avril 2023 dans les puces a), b) et c) devraient être remplacées, en cohérence avec les dispositions transitoires du SP 3280, par : « en date du début de l'exercice au cours duquel le présent chapitre est appliqué pour la première fois ».

4. **Appuyez-vous les modifications proposées qui visent à remplacer certaines mentions du terme « pouvoir » par « capacité » ou « autorité »?**

Nous sommes d'accord avec les modifications proposées dans le document d'améliorations annuelles. Toutefois, notons que le terme « pouvoir » revient à plusieurs autres occurrences dans les normes et qu'il y aurait lieu de clarifier à ces endroits également. Aussi, nous croyons qu'il serait préférable d'utiliser le terme « pouvoir souverain » lorsqu'il est question d'une capacité propre aux gouvernements, à l'instar de ce qui est défini dans le nouveau cadre conceptuel.

5. Appuyez-vous les modifications proposées qui visent à harmoniser certaines annexes figurant déjà dans le Manuel du secteur public avec les catégories d'indications établies dans les normes IPSAS?

Les modifications proposées nous conviennent généralement.

Toutefois, nous avons un inconfort à ce que l'arbre de décision - Immobilisations corporelles louées de la NOSP-2 constitue un guide d'application (AG) sans indiquer qu'il est fourni uniquement à titre d'illustration. Notre inconfort découle du fait que cet arbre indique que les contrats de location-exploitation doivent être comptabilisés conformément au chapitre 3065 du MANUEL DE CPA CANADA - COMPTABILITÉ.

Cette référence concernait l'ancienne Partie V NORMES EN VIGUEUR AVANT LE BASCULEMENT qui a depuis été retirée. Bien qu'un chapitre portant le même numéro soit disponible dans la Partie II NORMES COMPTABLES POUR LES ENTREPRISES À CAPITAL FERMÉ, nous croyons qu'il n'est pas souhaitable qu'un AG considéré comme faisant partie intégrante de la note d'orientation exige la comptabilisation selon les principes d'un autre référentiel. En effet, certaines des indications du chapitre 3065 de la Partie II NORMES COMPTABLES POUR LES ENTREPRISES À CAPITAL FERMÉ pourraient ne pas respecter les sources premières des PCGR ou les concepts décrits dans le chapitre SP 1000 FONDEMENTS CONCEPTUELS DES ÉTATS FINANCIERS.

Nous croyons que la meilleure façon de régler la problématique serait de modifier ainsi la dernière case de l'arbre de décision - Immobilisations corporelles louées de la NOSP-2 :

Il faut alors comptabiliser le bail comme un contrat de location-exploitation, conformément au ~~chapitre 3065 du MANUEL DE CPA CANADA - COMPTABILITÉ, CONTRATS DE LOCATION~~

6. Appuyez-vous les modifications proposées qui visent à clarifier la NOSP-8 en ce qui a trait à son application aux opérations interentités?

Les modifications proposées sont très difficiles à comprendre; notamment en raison des nouvelles terminologies utilisées. Dans les autres normes, les termes « entité du secteur public » et « entité comptable » sont employés. Or, dans les modifications proposées à la NOSP-8, ce sont les termes « entité comptable consolidée », « périmètre de l'entité comptable » et « périmètre de l'entité comptable consolidée » qui sont utilisés.

Nous n'arrivons pas à déterminer s'il est permis pour une entité du secteur public de capitaliser un élément incorporel acquis d'une entité sous contrôle commun qui l'aurait développé. Le paragraphe 2A semble le permettre, toutefois le paragraphe 2B semble indiquer certaines exclusions que nous n'arrivons pas à comprendre.

S'il est souhaité qu'aucun élément incorporel acheté à une entité sous contrôle commun ne puisse être comptabilisé à moins qu'il n'ait initialement été acquis à l'extérieur du périmètre comptable du gouvernement contrôlant les deux entités, nous proposons ce libellé :

- 2 Les éléments incorporels acquis dans le cadre d'un paiement de transfert² ou d'un apport ne constituent pas des éléments incorporels achetés.
- 2A ~~Pour l'entité comptable consolidée,~~ Seuls les éléments incorporels qui ont initialement été achetés dans le cadre d'une opération avec contrepartie (au sens du paragraphe 1) auprès d'une entité ne faisant pas partie du périmètre comptable du gouvernement de l'entité comptable sont considérés comme des éléments incorporels achetés au regard de la présente note d'orientation. Si, ~~par la suite~~ une entité faisant partie de l'entité comptable du périmètre comptable du gouvernement reçoit cet élément incorporel dans le cadre d'une opération interentités³, elle le comptabilise à titre d'élément incorporel acheté conformément à la présente note d'orientation.
- ~~2B~~ ~~Pourvu que l'achat initial d'un~~ Dans le cadre d'une ~~Seuls les éléments incorporels par une entité faisant partie du périmètre de l'entité comptable consolidée se soit fait dans le cadre d'une opération avec contrepartie (au sens du paragraphe 1) auprès d'une entité ne faisant pas partie du périmètre de l'entité comptable, toute entité faisant partie de ce périmètre qui reçoit ensuite cet élément incorporel dans le cadre d'une opération interentités³ le comptabilise à titre d'élément incorporel acheté conformément à la présente note d'orientation.~~
- ~~2C~~ Les opérations interentités³ suivantes ne donnent pas lieu à un élément incorporel acheté au regard de la présente note d'orientation :
- a) ~~Un élément incorporel dévolu à l'État d'une entité faisant partie du périmètre de l'entité comptable est transféré à une autre entité qui fait partie du même périmètre;~~
- b) ~~Un élément incorporel développé par une entité faisant partie du périmètre de l'entité comptable est transféré à une autre entité qui fait partie du périmètre.~~

2 Les paiements de transfert sont définis au paragraphe .04 du chapitre SP 3410, PAIEMENTS DE TRANSFERT.

3 Les opérations interentités sont définies à l'alinéa .04 g) du chapitre SP 3420, OPÉRATIONS INTERENTITÉS.

Autres commentaires

- Si les améliorations annuelles sont apportées avant la publication du nouveau cadre conceptuel, le terme « entité comptable » devrait être défini afin de s'assurer d'une compréhension commune.
- Nous sommes en désaccord avec la remarque indiquée dans le cadre de la modification du paragraphe SP 3070.03c) selon laquelle l'emploi du terme « gouvernement » est approprié et qu'il n'est pas proposé de le remplacer par « entité du secteur public ». Nous croyons qu'il devrait être remplacé puisque certains organismes publics pourraient contrôler une entreprise publique. Ceci est d'ailleurs prévu aux bases des conclusions du chapitre SP 1201 au paragraphe .19.

- Concernant les modifications visant le remplacement du terme « gouvernement » par « entité du secteur public », l'exposé-sondage ne fournit pas le détail des ajustements proposés. Par exemple, pour les chapitres SP 3100 et SP 3310, l'exposé-sondage spécifie uniquement :

Chapitre SP 3100, ACTIFS ET REVENUS AFFECTÉS	Dans tous les cas, le mot «gouvernement» serait remplacé par «entité du secteur public» ou «entité», sauf pour les exemples propres à un certain type de gouvernement.
Chapitre SP 3310, GARANTIES D'EMPRUNTS	Dans tous les cas, le mot «gouvernement» serait remplacé par «entité du secteur public» ou «entité», ou supprimé s'il y a lieu (par exemple lorsqu'il n'est pas nécessaire d'apporter de précision). Aucun changement ne serait apporté à la dernière phrase du paragraphe .01 ni au titre précédant le paragraphe .22.

Pour ces deux chapitres, nous sommes en désaccord avec le remplacement, tel que proposé, de toutes les occurrences du mot « gouvernement ». En effet, dans certains cas, le remplacement n'est pas pertinent, alors que dans d'autres, il occasionnerait des problématiques.

Par exemple, la modification du chapitre SP 3100 nécessite une analyse plus attentive des incidences que le remplacement du terme « gouvernement » pourrait avoir. En effet, il nous apparaît inadéquat de remplacer l'expression « loi du gouvernement » par « loi de l'entité du secteur public ». Il serait trompeur d'indiquer que les lois émanent des organismes publics et que ces derniers peuvent les modifier. De même, les obligations découlant d'une loi ne peuvent être considérées, du point de vue des états financiers d'une entité du secteur public autre que le gouvernement, comme des affectations d'origine interne.

- Dans le cas où les modifications seraient apportées, cela aurait une incidence significative sur les revenus comptabilisés par plusieurs entités du périmètre comptable du gouvernement du Québec.

October 11, 2022

Michael Puskaric, MBA, CPA, CMA
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Re: 2022-2023 Annual Improvements to Public Sector Accounting Standards Exposure Draft

Dear Mr. Puskaric,

Thank you for the opportunity to provide comments on the 2022-2023 Annual Improvements to Public Sector Accounting Standards Exposure Draft. Our comments are below.

Questions

- 1. Do you agree with the proposed amendments to replace the term “summary financial statements” with “financial statements” in applicable individual standards?**

Yes, we agree with this proposed amendment to the term and feel as though it may be more appropriate for certain users of Public Sector Accounting Standards, who may not be preparing summary level consolidated financial statements.

- 2. Do you agree with the proposed amendments to clarify the Introduction to Public Sector Guidelines and the removal of outdated guidance related to local governments?**

Yes, we agree with these amendments which remove guidance related to local governments that are no longer used in practice, and to update the Introduction to accounting guidelines to reflect current processes.

- 3. Do you agree with the proposed amendments to the transitional provisions in Section PS 3160 to explicitly outline that early adoption is permitted?**

Yes, we agree with amending the transitional provisions in Section PS 3160 to explicitly state that early adoption is permitted.

- 4. Do you agree with the proposed amendments to replace some references of “power” to “ability”?**

Yes, we agree with these amendments to replace some references of “power” with “ability” or “authority”.

- 5. Do you agree with the proposed amendments to align existing appendices in the PSA Handbook with categories of guidance established by IPSAS?**

Yes.

6. **Do you agree with the proposed amendments to correct for grammatical errors in the decision tree in Section PS 3050?**

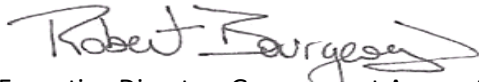
Yes, however we believe there is an additional uncorrected typo in the text box at the very bottom of the decision tree where “writie-offs” should be corrected to state “write-offs”.

7. **Do you agree with the proposed amendments to PSG-8 to clarify application to inter-entity transactions?**

Yes, we agree with these clarifying amendments.

Sincerely,

Robert E. Bourgeois, CPA, CA



Executive Director, Government Accounting
NS Dept of Finance and Treasury Board

Colin Semotiuk, CPA CA
Wayne Morgan, PhD, CPA CA, CISA
Office of the Auditor General of Alberta
Edmonton, Alberta

October 11, 2022

Michael Puskaric, CPA, CMA
Director, Public Sector Accounting Board
Public Sector Accounting Board
277 Wellington Street West
Toronto ON M5V 3H2

Dear Mr. Puskaric,

Our response to the PSAB Exposure Draft: 2022-2023 Annual Improvements to Public Sector Accounting Standards is below:

1. Do you agree with the proposed amendments to replace the term “summary financial statements” with “financial statements” in applicable individual standards?

Yes – we agree with the proposed amendments to replace the term “summary financial statements” with “financial statements” in the standards identified in the Exposure Draft.

Although PSAB has not asked about this, updating terminology from “government” to “public sector entity” was also included in the Exposure Draft. We agree with the update in terminology however we suggest that the terminology is further analyzed, and the complete standards are updated versus “given the complexity” the changes are made “as part of future annual improvements.” By making the change in select standards, including PS 3150, 3310, etc., and not all standards (PS 2500, PS 3070, etc.), this may create confusion to users if other standards no longer apply or apply specifically for “government” entities. For example, PS 3070 Investments in Government Business Enterprises. Can public sector entities have investments in GBE’s? or is it investments in public sector enterprises (PSE’s)? or should investments in PSE’s follow an alternative source of GAAP? As noted in the ED, PS 2500 Basic Principles of Consolidation, is not updated for the term “public sector entity” and the definition of “public sector financial statements” has not been added to PS 2500 (the term government financial statements remains). Without this definition or a revision to the definition of “government financial statements,” one could argue PS 2500 applies solely to “government financial statements.”

2. Do you agree with the proposed amendments to clarify the Introduction to Public Sector Guidelines and the removal of outdated guidance related to local governments?

We have no response to the removal of outdated guidance related to local governments.

3. Do you agree with the proposed amendments to the transitional provisions in Section PS 3160 to explicitly outline that early adoption is permitted?

We agree to explicitly outline that early adoption is permitted to Section PS 3160 Public Private Partnerships.

4. Do you agree with the proposed amendments to replace some reference of “power” to “ability”?

We agree with the proposed amendments to PS 3100, PS 3160, and PS 3210 to replace some references of “power” to “ability.”

We note several standards use the terminology “power to contract.” Is this annual improvements changing these to “authority to contract?”

5. Do you agree with the proposed amendments to align existing appendices in the PSA Handbook with categories of guidance established by IPSAS?

We agree. However, it is unclear when application guidance would not be considered integral to a standard and suggest the concept of “selective integral” be dropped and existing PS 1150.16 be changed to “application material is an integral part of the primary sources of GAAP.” We suggest PSAB consider 1150.03 as follows:

(c) Primary sources of GAAP are, in decreasing order of authority:

- (i) standards in section PS 1201 - PS 3510, including application material in the standards
- (ii) PS sections 1000, 1100 and 1150
- (iii) Public Sector Guidelines
- (iv) Illustrative examples in PS sections
- (v) PSAS Basis for Conclusions

6. Do you agree with the proposed amendments to correct for grammatical errors in the decision tree in Section PS 3050?

We agree that grammatical errors in the decision tree in PS 3050 should be corrected. We note that “write-offs” is still incorrect and appears as “writie-offs.”

7. Do you agree with the proposed amendments to PSG-8 to clarify application to inter-entity transactions?

We agree with the need to solve the unintended consequence. However, the issue is complex given the inter-dependencies with PS 2500, PS 2510, PS 3410, PS 3420, PS 3430 and in general maintaining a ‘ring-fence’ around individual public sector entities and their stand-alone financial statements. Therefore, in our view this exceeds the scope of annual improvements and should be done as a separate exposure draft.

Thank you for the opportunity to comment.

Sincerely,

Colin Semotiuk
Wayne Morgan



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

11 October 2022

Michael Puskaric, MBA, CPA, CMA
Director, Public Sector Accounting Board
Public Sector Accounting Board
277 Wellington Street West
Toronto, ON M5V 3H2

RE: Exposure Draft – 2022-2023 Annual Improvements to Public Sector Accounting Standards

Thank you for the opportunity to comment on the above Exposure Draft. I am responding on behalf of the Office of the Auditor General of Canada.

We are pleased to submit to the Board our response below to the specific questions posed in the Exposure Draft.

Sincerely,

Lissa Lamarche, CPA, CA
Assistant Auditor General
Office of the Auditor General of Canada

Specific questions posed by the Public Sector Accounting Board (PSAB):

Question 1

Do you agree with the proposed amendments to replace the term “summary financial statements” with “financial statements” in applicable individual standards?

OAG response:

Yes, we agree with the proposed amendments to replace the term “summary financial statements” with “financial statements” in applicable individual standards.

Question 2

Do you agree with the proposed amendments to clarify the Introduction to Public Sector Guidelines (PSGs) and the removal of outdated guidance related to local governments?

OAG response:

Yes, we agree with the proposed amendments to clarify the Introduction to PSGs and the removal of outdated guidance related to local governments.

Question 3

Do you agree with the proposed amendments to the transition provisions in Section PS 3160 to explicitly outline that early adoption is permitted?

OAG response:

Yes, we agree with the proposed amendments to the transition provisions in Section PS 3160 to explicitly outline that early adoption is permitted.

Question 4

Do you agree with the proposed amendments to replace some references of “power” to “ability”?

OAG response:

Yes, we agree with the proposed amendments to replace some references of “power” to “ability” (or “authority” as proposed in the exposure draft).

Question 5

Do you agree with the proposed amendments to align existing appendices in the PSA Handbook with categories of guidance established by IPSAS?

OAG response:

Yes, we agree with the proposed amendments to align existing appendices in the PSA Handbook with categories of guidance established by IPSAS.

Question 6

Do you agree with the proposed amendments to correct for grammatical errors in the decision tree in Section PS 3050?

OAG response:

Yes, we agree with all of the proposed amendments to correct for grammatical errors in the decision tree in PS 3050. However, we have identified that the proposed edit for “wrtie-offs” was corrected with “writie-offs”, which is also a typo. This should be changed to “write-offs.” We agree with the correction of the remainder of the grammatical errors in the decision tree.

Question 7

Do you agree with the proposed amendments to PSG-8 to clarify application to inter-entity transactions?

OAG response:

No, we do not agree with the proposed amendments to PSG-8 to clarify application to inter-entity transactions. In our view, the way PSG-8.1 is currently written could prevent inter-entity transactions to be in scope of PSG-8 because those transactions would not meet part of the definition of a purchased intangible outlined in PSG-8.1, which states (emphasis added) that it must be acquired in an arm’s length exchange transaction. Inter-entity transactions are not arm’s length exchange transactions and, therefore, it could be interpreted that all inter-entity transactions would be scoped out in the first paragraph of this PSG despite the additional inter-entity paragraphs now added (2A-2C). This could be confusing and result in differences in application and/or practice. As a result, we would suggest the following edit to PSG-8.1:

*Purchased intangibles are identifiable non-monetary economic resources without physical substance **originally (OR initially)** acquired through an arm’s length exchange transaction between knowledgeable, willing parties who are under no compulsion to act.*

However, we are of the view that the proposed changes may not quite fulfill the needs of users regarding intangibles given there is currently limited guidance on this topic within the PSA Handbook. We note that a project on intangibles has been identified by PSAB as a potential major project during the 2022-2027 Strategic Plan period. If the intangible project goes forward we would recommend including the review of this PSG therein.



Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

October 6, 2022

Mr. Michael Puskaric, CPA, CMA
Director, Public Sector Accounting Board
277 Wellington Street West
Toronto ON M5V 3H2

Dear Mr. Puskaric:

RE: EXPOSURE DRAFT —2022-2023 ANNUAL IMPROVEMENTS TO PUBLIC
SECTOR ACCOUNTING STANDARDS—AUGUST 2022

We welcome the return of PSAB's annual improvements process.

Responses to Requests for Specific Comments

Our responses to the matters on which you specifically requested comments are set out below.

Question 1

Do you agree with the proposed amendments to replace the term “summary financial statements” with “financial statements” in applicable individual standards?

We agree with the amendments proposed here.

Question 2

Do you agree with the proposed amendments to clarify the Introduction to Public Sector Guidelines and the removal of outdated guidance related to local governments?

Yes, we agree.

Question 3

Do you agree with the proposed amendments to the transitional provisions in Section PS 3160 to explicitly outline that early adoption is permitted?

Yes, we agree. We suggest PSAB develop a checklist or similar tool to ensure that key information, such as transitional guidance, is included in each new standard.

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Question 4

Do you agree with the proposed amendments to replace some references of "power" to "ability"?

We agree with the amendments proposed here. Any further amendments or clarifications to the definition of power should be exposed for public comment, including the planned footnote to Chapter 5 of the new Conceptual Framework that will distinguish how the term "power" is used in Section PS 1300 from the sovereign or equivalent powers dealt with in that chapter.

Questions 5 and 6

Do you agree with the proposed amendments to align existing appendices in the PSA Handbook with categories of guidance established by IPSAS?

Do you agree with the proposed amendments to correct for grammatical errors in the decision tree in Section PS 3050?

Yes, we agree.

Question 7

Do you agree with the proposed amendments to PSG-8 to clarify application to inter-entity transactions?

The proposed amendments to PSG-8 should be strengthened and clarified. To prevent governments from inappropriately recognizing an inherited or developed intangible asset by transferring it to a party outside the government reporting entity and subsequently reacquiring it, the guideline should explicitly scope out such transactions.

In addition, to improve clarity and consistency with other sections in the Handbook, the term "consolidated government reporting entity" should be replaced with the term "government reporting entity", which encompasses all entities controlled by the government (PS 1300.07).

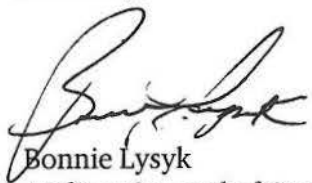
Once an entity purchases an intangible asset and determines its cost, any subsequent transfers between entities within the government reporting entity should remain at the original cost, less any provision for impairment.

We recommend the following changes to the PSG-8:

- 2A ~~For the consolidated government reporting entity,~~ Only intangibles purchased through an exchange transaction described in paragraph 1 with a party outside of the **government** reporting entity would be considered purchased intangibles for the purposes of this Guideline.
- 2B As long as the initial purchase of an intangible into **the government** a ~~consolidated~~ reporting entity is through an exchange transaction described in paragraph 1 with a party outside of the reporting entity, any entity within the reporting entity subsequently receiving the intangible through an inter-entity transaction would account for it as a purchased intangible in accordance with this Guideline.
- 2C These **following** inter-entity transactions do not give rise to a purchased intangible for the purposes of this Guideline:
- (a) An inherited intangible of one entity in a reporting entity is transferred to another entity within the same reporting entity.
 - (b) A developed intangible of one entity in a reporting entity is transferred to another entity within the same reporting entity.
- 2D **Inherited or developed intangibles that are sold or transferred to an entity outside the government reporting entity and then subsequently acquired by or contributed to an entity within the government reporting entity are not purchased intangibles for the purposes of this Guideline.**

Thank you for the opportunity to comment.

Sincerely,



Bonnie Lysyk
Auditor General of Ontario



September 28, 2022

Michael Puskaric, CPA, CMA
Director, Public Sector Accounting Board
Public Sector Accounting Board
277 Wellington Street West
Toronto, ON M5V 3H2

Dear M. Puskaric:

Re: August 2022 Exposure Draft – 2022-2023 Annual Improvements to Public Sector Accounting Standards

We support the proposed 2022-2023 Annual Improvements to Public Sector Accounting Standards as outlined in the exposure draft. The attachment sets out our responses to the specific questions included in the exposure draft.

Yours truly,

A handwritten signature in black ink that reads "T. Clemett".

Tara Clemett, CPA, CA, CISA
Provincial Auditor

st/
Attachment

	Question	Responses
1	Do you agree with the proposed amendments to replace the term “summary financial statements” with “financial statements” in applicable individual standards?	Yes, we agree with the proposed amendments to replace “summary financial statements” with “financial statements” in applicable standards.
2	Do you agree with the proposed amendments to clarify the Introduction to Public Sector Guidelines and the removal of outdated guidance related to local governments?	Yes, we agree with the proposed amendments to clarify the Introduction to Public Sector Guidelines and the removal of outdated guidance related to local governments.
3	Do you agree with the proposed amendments to the transitional provisions in Section PS 3160 to explicitly outline that early adoption is permitted?	Yes, we agree with the proposed amendments to the transitional provisions in Section PS 3160 to explicitly outline that early adoption is permitted.
4	Do you agree with the proposed amendments to replace some references of “power” to “ability”?	Yes, we agree with the proposed amendments to replace some references of “power” to “ability”.
5	Do you agree with the proposed amendments to align existing appendices in the PSA Handbook with categories of guidance by IPSAS?	Yes, we agree with the proposed amendments to align existing appendices in the PSA Handbook with categories of guidance by IPSAS.
6	Do you agree with the proposed amendments to correct for grammatical errors in the decision tree in Section PS 3050?	Yes, we agree with the proposed amendments to correct for grammatical errors in the decision tree in Section PS 3050, however, it appears that there is still an error with “write-offs” in the bottom left box of the decision tree.
7	Do you agree with the proposed amendments to PSG-8 to clarify application to inter-entity transactions?	Yes, we agree with the proposed amendments to PSG-8 to clarify application to inter-entity transactions.

October 24, 2022

Michael Puskaric, CPA, CMA
Director, Public Sector Accounting Board
Public Sector Accounting Board
277 Wellington Street West
Toronto, ON M5V 3H2
mpuskaric@psabcanda.ca

Dear Mr. Puskaric:

Re: 2022-2023 Annual Improvements to Public Sector Accounting Standards

Thank you for the opportunity to respond to the exposure draft on annual improvements to Public Sector Accounting Standards (PSAS).

As requested, the Province of Manitoba (Province) has responded to your specific questions in the Exposure Draft (ED).

1. *Do you agree with the proposed amendments to replace the term “summary financial statements” with “financial statements” in applicable individual standards?*

The Province does agree with the proposed amendment. Replacing summary financial statements and government with financial reports and public sector entities. This is consistent with the new Conceptual Framework which identifies financial statements as financial reports.

Initially the only stakeholders that used the PSA Handbook were governments. The stakeholder group became far more diverse when public not for profits were required to follow the PSA Handbook. Public sector entity is a more inclusive term than governments.

2. *Do you agree with the proposed amendments to clarify the Introduction to Public Sector Guidelines and the removal of outdated guidance related to local governments?*

The Province agrees with the proposed amendments to clarify the Introduction to Public Sector Guidelines and the removal of outdated guidance related to local governments. There is no longer any difference in the accounting standards used by local governments and other public sector entities.

3. *Do you agree with the proposed amendments to the transitional provisions in Section PS 3160 to specifically outline that early adoption is permitted?*

The Province agrees that early adoption for PS 3160 should not be restricted from early adoption.

4. *Do you agree with the proposed amendments to replace some references of “power” to “ability”?*

The Province agrees with the amendments to replace references of “power” to “ability”. Power should only be used to for the unique powers and rights of governments. The new Conceptual Framework will distinguish how the term “power” is used from sovereign or equivalent powers.

5. *Do you agree with the proposed amendments to align existing appendices in the PSA Handbook with categories of guidance established by IPSAS?*

The Province agrees with the proposed amendments to align “Application Guidance” which are integral to the standard and illustrative examples, which are merely illustrative, with the categories of guidance established by IPSAS. This will make existing PSAS consistent with IPSAS.

6. *Do you agree with the proposed amendments to correct for grammatical errors in the decision tree in Section PS 3050?*

The Province agrees with correcting grammatical errors in the PS 3050 decision tree.

7. *Do you agree with the proposed amendments to PSG-8 to clarify application to inter-entity transactions?*

The Province agrees with the proposed amendments to PSG-8.2. As long as the intangible was purchased from an outside entity through an exchange transaction, any other entities receiving the intangible through inter-entity transactions could account for the asset as a purchased intangible.

Yours truly,

“Original Signed by”

Andrea Saj, CPA,
Provincial Comptroller
On Behalf of the Province of Manitoba

October 26, 2022

Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
TORONTO ON M5V 3H2

Dear Michael Puskaric:

Thank you for allowing us to review the Public Sector Accounting Board's Exposure Draft (ED) on 2022-23 Annual Improvements to Public Sector Accounting Standards.

Here are our answers to the questions listed within as well as some general comments.

Questions

1. **Do you agree with the proposed amendments to replace the term "summary financial statements" with "financial statements" in applicable individual standards?**

Yes, we have no issues with this amendment.

2. **Do you agree with the proposed amendments to clarify the Introduction to Public Sector guidelines and the removal of outdated guidance related to local governments?**

Yes, we have no issues with this amendment.

3. **Do you agree with the proposed amendments to the transitional provisions in Section PS 3160 to explicitly outline that early adoption is permitted?**

Yes, we have no issues with this amendment.

4. **Do you agree with the proposed amendments to replace some references of "power" to "ability"?**

No. We don't think that the rationale for making this change throughout the handbook with the exception of PS1300 has been well explained. Because these changes are proposed in anticipation of the new conceptual framework, we would recommend postponing this change until the impacts of the new framework can be fully assessed and changes can be made consistently across the handbook.



5. Do you agree with the proposed amendments to align existing appendices in the PSA Handbook with categories of guidance established by IPSAS?

Yes, we have no issues with this amendment.

6. Do you agree with the proposed amendments to correct for grammatical errors in the decision tree in Section PS 3050?

Yes, we have no issues with this amendment.

7. Do you agree with the proposed amendments to PSG-8 to clarify application to inter-entity transactions?

We agree with the intent of the amendments although we feel that some of the proposed wording could be simplified or eliminated.

We think that 2C could be simplified, and we would propose simply stating that “an inter-entity transaction cannot give rise to a purchased intangible for the consolidated reporting entity.”

Additionally, we think that some clarity could be provided around how transactions would be treated by individual entities within the reporting entity. For example, when one entity in a reporting entity purchases an intangible from another entity within the reporting entity, does this give rise to a purchased intangible for the purposes of the individual entity’s financial statements?

General Comments

In addition to our comments above with regards to the use of the term “power” in PS 1300, we think that there is a need to look at PS 1300 more extensively with respect to the use of the term “government” vs “public sector entity.”

A specific example of this is 1300.04 – “Governments carry out their policies and deliver services through various types of public sector entities.” This sentence is contradictory to the overall change of terminology where public sector entity is supposed to replace government.

We believe that there may be extensive changes to PS1300 required in order to be consistent with the change in terminology and with other sections of the handbook.

Also, with respect to the changes on page 21 and 22 of the Exposure Draft, we think that in future exposure drafts it would be more useful for PSAB to provide wording for the exact proposed changes instead of (or in addition to) describing the changes in a table. This summarized table format makes it difficult to be certain what changes are being proposed.

Please contact Gabriel Plosker with any questions at 306-787-6832.

Sincerely,



Chris Bayda, FCPA, FCA
Acting Provincial Comptroller

cc: Jane Borland, Provincial Comptroller's Office, Ministry of Finance
Tamara Stocker, Provincial Comptroller's Office, Ministry of Finance
Gabriel Plosker, Provincial Comptroller's Office, Ministry of Finance

October 11, 2022

Mr. Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto ON M5V 3H2

PSAB Exposure Draft: 2022-2023 Annual Improvements to Public Sector Accounting Standards

Thank you for the opportunity to comment. Annual improvements are important to promote consistency and clarity within the Public Sector Accounting Handbook.

Our comments to the specific questions are reflected in the attached Appendix.

Sincerely,



Dan Stadlwieser
Controller

Attachment

2022-2023 Annual Improvements to Public Sector Accounting Standards

- 1. Do you agree with the proposed amendments to replace the term “summary financial statements” with “financial statements” in applicable individual standards?***

Agreed.

As the new standards use the term “financial statements”, it would better reflect current terminology used by PSAB and stakeholders as they do not make reference to “summary financial statements”.

We also agree with the use of “public sector entity” instead of “government” as it more accurately reflects the types of entities that will use the PSA Handbook to prepare financial statements.

- 2. Do you agree with the proposed amendments to clarify the Introduction to Public Sector Guidelines and the removal of outdated guidance related to local governments?***

Agreed.

The proposed removal of guidance specific to local governments in Tangible Capital Assets, PS 3150 and Generally Accepted Accounting Policies, PS 1150 will better reflect current Guidelines. We also agree with the proposed removal of guidance relating to local governments in the PSGs as this is no longer used in practice following adoption of the standard.

In addition, the changes to the Introduction to accounting guidelines better reflect current terminology and processes.

- 3. Do you agree with the proposed amendments to the transitional provisions in Section PS 3160 to explicitly outline that early adoption is permitted?***

Agreed.

Currently, the transitional provisions in Public Private Partnerships, Section PS 3160 do not explicitly state if early adoption is permitted. Adding this

amendment to explicitly state early adoption is permitted provides clarity.

4. Do you agree with the proposed amendments to replace some references of “power” to “ability”?

Agreed.

The proposed amendments to replace some references of “power” to “ability” or “authority” will provide further clarity and ensure consistent use of the word “power” when referring to unique powers and rights of government.

5. Do you agree with the proposed amendments to align existing appendices in the PSA Handbook with categories of guidance established by IPSAS?

Agreed.

As mentioned, the titles and paragraphs in each PSA Handbook would align with the categories of guidance used within IPSAS. This will ensure consistent classification of similar categories of guidance if PSAB adapts IPSAS principles set out in appendices in developing Canadian standards in the future. The change will also provide stakeholders insight on which appendices contain additional application guidance that are integral to the standard.

6. Do you agree with the proposed amendments to correct for grammatical errors in the decision tree in Section PS 3050?

Agreed.

In the amended Loans Receivable PS 3050 decision tree, we also note that “writie-offs” should be corrected to “write-offs”.

7. Do you agree with the proposed amendments to PSG-8 to clarify application to inter-entity transactions?

Agreed.

The amendments to Public Sector Guideline (PSG) 8, Purchased Intangibles provide needed clarification in order to recognize intangibles as assets when purchased from outside of a consolidated reporting entity regardless of whether it was subsequently transferred to another entity within the

consolidated reporting entity.



Office of the Provincial Controller Division
Controllershship Policy and Accounting Consultation Branch

Ontario’s response to PSAB’s Exposure Draft “2022-2023 Annual Improvements to Public Sector Accounting Standards”

Maureen Buckley CPA, CA

Assistant Deputy Minister and Provincial
Controller

Office of the Provincial Controller Division|Office of the Treasury Board |Treasury Board Secretariat
7 Queen’s Park Crescent, Frost South, 2nd Floor, Toronto, ON, M7A 1Y7

Maureen.Buckley@ontario.ca

Following is the Province of Ontario’s response to the 2022-2023 Annual Improvements to Public Sector Accounting Standards Exposure Draft.

1. Do you agree with the proposed amendments to replace the term “summary financial statements” with “financial statements” in applicable individual standards?

Ontario agrees with the proposed amendments.

2. Do you agree with the proposed amendments to clarify the Introduction to Public Sector Guidelines and the removal of outdated guidance related to local governments?

Ontario agrees with the proposed amendments.

3. Do you agree with the proposed amendments to the transitional provisions in Section PS 3160 to explicitly outline that early adoption is permitted?

Ontario agrees with the proposed amendments.

4. Do you agree with the proposed amendments to replace some references of “power” to “ability”?

Ontario agrees with the proposed amendments.

5. Do you agree with the proposed amendments to align existing appendices in the PSA Handbook with categories of guidance established by IPSAS?

Ontario would suggest further clarification be provided to changes being proposed to paragraph .16 of Generally Accepted Accounting Principles, Section PS 1150.

PSAB is proposing:

.16 Appendices are an integral part of the primary sources of GAAP. There are two types: application guidance and illustrative examples. Application guidance may sometimes be indicated as integral to the relevant standard and thus part of the primary source in paragraph .03 (c) (i). ...

It is unclear when application guidance would be part of paragraph .03 (c) (i) and when it would be part of .03 (c) (iii). It is also unclear what the implication of this distinction would be as both .03 (c) (i) and .03 (c) (iii) are part of primary GAAP.

6. Do you agree with the proposed amendments to correct for grammatical errors in the decision tree in Section PS 3050?

Ontario agrees with the proposed amendments.

7. Do you agree with the proposed amendments to PSG-8 to clarify application to inter-entity transactions?

Ontario agrees with the proposed amendments. Ontario appreciates PSAB clarifying application of PSG-8 to inter-entity transactions and encourages PSAB to develop a comprehensive standard on intangibles with the assistance of a task force to address the current gap in Public Sector Accounting Standards.

Ontario appreciates the opportunity to respond to PSAB to assist in their deliberations on this matter. I would be pleased to elaborate on any of the above comments. Thank you for your consideration.

Montréal, le 11 octobre 2022

Monsieur Michael Puskaric, CPA, CMA
Directeur, Comptabilité du secteur public
Conseil sur la comptabilité dans le secteur public
277, rue Wellington Ouest
Toronto (Ontario) M5V 3H2

Monsieur,

Vous trouverez ci-joint les commentaires du Groupe de travail technique Secteur public – Comptabilité dans le secteur public de l’Ordre des comptables professionnels agréés du Québec, concernant l’exposé-sondage intitulé « *Améliorations annuelles 2022-2023 des Normes comptables pour le secteur public* ».

Nous vous serions reconnaissants de nous faire parvenir une copie de la traduction anglaise de nos commentaires.

Veillez prendre note que ni l’Ordre des comptables professionnels agréés du Québec, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à leur utilisation et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires, comme décrit dans le déni de responsabilité joint à la présente.

Veillez agréer, Monsieur Puskaric, mes salutations distinguées.

Annie Smargiassi, CPA auditrice, CA
Représentante du groupe de travail technique Secteur public – Comptabilité dans le secteur public

p. j. Déni de responsabilité et commentaires

DÉNI DE RESPONSABILITÉ

Les documents préparés par les groupes de travail de l'Ordre des comptables professionnels agréés du Québec (Ordre) ci-après appelés les « commentaires », sont fournis selon les conditions décrites dans la présente, pour faire connaître leur opinion sur des énoncés de principes, des documents de consultation, des exposés-sondages préliminaires ainsi que des exposés-sondages publiés par le Conseil des normes comptables, le Conseil des normes d'audit et de certification, le Conseil sur la comptabilité dans le secteur public, le Conseil sur la gestion des risques et la gouvernance et d'autres organismes.

Les commentaires fournis ne doivent pas être utilisés comme substitut à des missions confiées à des professionnels spécialisés. Il est important de noter que les lois, les normes et les règles sur lesquelles sont émis les commentaires peuvent changer en tout temps et que, dans certains cas, les commentaires écrits peuvent être sujets à controverse.

Ni l'Ordre, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à l'utilisation de ces commentaires et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires. Les commentaires donnés ne lient pas, par ailleurs, les membres des Groupes de travail de l'Ordre ou, de façon plus particulière, le Bureau du syndic de l'Ordre.

La personne qui se réfère ou utilise ces commentaires assume l'entière responsabilité de sa démarche ainsi que tous les risques liés à l'utilisation de ceux-ci. Elle consent à exonérer l'Ordre à l'égard de toute demande en dommages-intérêts qui pourrait être intentée par suite de toute décision qu'elle aurait pu prendre en fonction de ces commentaires. Elle reconnaît également avoir accepté de ne pas faire état de ces commentaires reçus via le Groupe de travail dans les avis exprimés ou les positions prises.

MANDAT DES GROUPES DE TRAVAIL

Les groupes de travail de l'Ordre des comptables professionnels agréés du Québec ont comme mandat notamment de recueillir et de canaliser le point de vue des praticiens exerçant en cabinet et de membres œuvrant dans les affaires, dans les services gouvernementaux, dans l'industrie et dans l'enseignement ainsi que le point de vue d'autres personnes concernées œuvrant dans des domaines d'expertise connexes.

Pour chaque exposé-sondage ou autre document étudié, les membres mettent leurs analyses en commun. Les commentaires ci-dessous reflètent les points de vue exprimés et, sauf indication contraire, ces commentaires ont fait l'objet d'un consensus parmi les membres des groupes de travail ayant participé à cette analyse.

Les commentaires formulés ne font l'objet d'aucune sanction de l'Ordre. Ils n'engagent pas la responsabilité de celui-ci.

QUESTION SPÉCIFIQUE DU CCSP

1. Appuyez-vous les modifications proposées qui visent à remplacer le terme « états financiers condensés » par « états financiers » dans les normes pertinentes?

Les membres ont questionné quelques changements proposés ainsi que les raisons sous-jacentes à ces changements et ont fait des commentaires à propos de conséquences potentielles non désirées par ceux-ci. Ils ont expliqué leurs préoccupations de façon plus détaillée ci-dessous.

Les membres font remarquer que l'expression « états financiers résumés » est utilisée dans la pratique, notamment dans la Norme Canadienne d'Audit (NCA) 810 *Missions visant la délivrance d'un rapport sur des états financiers résumés*. Ainsi pour eux, il pourrait donc s'agir d'un changement qui pourrait avoir une conséquence inappropriée dans le contexte d'états financiers résumés.

Dans plusieurs textes français révisés l'expression « entité économique délimitée par le périmètre comptable du gouvernement » a été remplacée par « entité comptable », par exemple au chapitre SP 2400 *Événements postérieurs à la date des états financiers*. Les changements n'ont pas été apportés à toutes les occurrences de cette expression et la façon dont ces changements seront apportés n'ont pas été invoqués et sont donc nébuleuses. Les membres se demandent de quelle façon ou selon quels critères les expressions vont être remplacées graduellement.

2. Appuyez-vous les modifications proposées qui visent à clarifier la Préface des notes d'orientation du secteur public et à supprimer des indications périmées relatives aux administrations locales (aussi appelées gouvernements locaux)?

Oui, les membres appuient les propositions.

3. Appuyez-vous les modifications proposées qui visent à mettre à jour les dispositions transitoires du chapitre SP 3160 pour énoncer expressément que son adoption anticipée est permise?

Oui, les membres sont d'accord avec les propositions.

4. Appuyez-vous les modifications proposées qui visent à remplacer certaines mentions du terme « pouvoir » par « capacité » ou « autorité »?

Oui, les membres appuient les propositions.

5. Appuyez-vous les modifications proposées qui visent à harmoniser certaines annexes figurant déjà dans le Manuel du secteur public avec les catégories d'indications établies dans les normes IPSAS?

Des membres ont un malaise avec les propositions et veulent s'assurer qu'ils n'auront pas à appliquer les normes IPSAS par anticipation par l'utilisation obligatoire d'annexes ou de modalités d'application avant que ne soient faites des propositions de normes par exposé-sondage et de façon officielle. Ils craignent des conséquences inattendues de telles propositions. Pour eux, si une norme et ses modalités d'application sont meilleures que les normes actuelles, il est préférable de les proposer d'office. Ils ne connaissent pas l'objectif du CCSP derrière ces propositions et aimeraient donc les comprendre.

6. Appuyez-vous les modifications proposées qui visent à clarifier la NOSP-8 en ce qui a trait à son application aux opérations interentités?

D'abord, des membres questionnent l'ajout des trois paragraphes proposés dans le contexte du processus d'améliorations annuelles. Les améliorations annuelles visent normalement à apporter des corrections ou des éclaircissements aux textes du Manuel et ne concernent pas les améliorations majeures ni les améliorations de portée limitée, comme cela est précisé dans le paragraphe de la section « Contexte » de l'exposé-sondage à la page i.

Selon eux, les ajouts pourraient avoir des conséquences particulières qui devraient être analysées plus profondément, par exemple les augmentations de valeurs potentielles dans le contexte de transferts interentités.

Pour d'autres, la définition au paragraphe 1 de la NOSP-8 devrait aussi être modifiée, car selon eux, elle entre en contradiction avec les ajouts proposés. Selon ce paragraphe 1 de la NOSP-8, les actifs incorporels qui entrent dans son champ d'application sont acquis dans le cadre d'une opération avec contrepartie, conclue entre des parties compétentes agissant en toute liberté dans des conditions de pleine concurrence, qui selon eux sort les opérations interentités de la portée de la NOSP-8 avant-même de prendre connaissance du paragraphe 2.

Enfin, les membres saluent la venue du sujet des actifs incorporels dans les grands projets du CCSP et présenté dans le document intitulé « Consultation sur le programme de travail futur du CCSP ».



October 4, 2022

Mr. Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto, ON M5V 3H2

Dear Mr. Puskaric:

Re: 2022-2023 Annual Improvements to Public Sector Accounting Standards

We are pleased to respond to the Exposure Draft on *2022-2023 Annual Improvements to Public Sector Accounting Standards* (the ED) issued by the Public Sector Accounting Board (PSAB or the Board).

We are generally supportive of the annual improvement process undertaken by PSAB to correct errors and clarify guidance. We agree with the majority of the improvements proposed, with the exception of the changes proposed to PSG-8, as we believe the clarification on scope is better addressed in PS 3420, *Inter-entity Transactions* in order to avoid creating conflicts with the definition of a purchased intangible.

Our responses to the specific questions in the ED are included below.

1. Do you agree with the proposed amendments to replace the term “summary financial statements” with “financial statements” in applicable individual standards?

We agree with the proposed amendment to remove the word “summary” from references to the financial statements throughout the Public Sector Accounting Handbook.

We observe that Section PS 1201 paragraph 002 provides a definition of financial statements that states “Financial statements refers to the summary financial statements published by a government that report on the financial position and changes in financial position of the government reporting entity.” The Exposure Draft does not include a proposed update to this paragraph on the basis that the Board expects to replace these standards in the coming year. However, when new standards are replaced the Board usually permits several years before the new standard becomes effective, and so we expect PS 1201 will continue to be applied as the primary presentation standard for financial statements for a number of years. We believe that the definition of “financial statements” is critical to understanding the scope of the financial information a public sector entity presents in accordance with PSAS. In order to avoid confusion and differences in definition of “financial statements” over the transition period to the new financial presentation standard we believe paragraph PS 1201.002 should be updated to align with the amendments proposed in this Exposure Draft, such as for PS 2400 paragraph 1 footnote 1.

We suggest the Board consider making similar changes to the definition of financial statements in PS 1000.02 and PS 1100.02 for the same reasons.

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Director, Public Sector Accounting
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2. Do you agree with the proposed amendments to clarify the Introduction to Public Sector Guidelines and the removal of outdated guidance related to local governments?

We agree with the proposed amendments.

3. Do you agree with the proposed amendments to the transitional provisions in Section PS 3160 to explicitly outline that early adoption is permitted?

We agree with the proposed amendments.

4. Do you agree with the proposed amendments to replace some references of “power” to “ability”?

We agree with the proposed amendments.

In addition, we believe any footnote made to Chapter 5 of the new Conceptual Framework that describes how the word “power” in PS 1300, *Government Reporting Entity* (PS 1300) should be interpreted in the context of PS 1300 should also be made as a footnote to PS 1300 directly. Further, while we recognize that there may be unintended consequences of changing the word “power” in PS 1300 to “ability” and the Board does not intend for any conclusions around consolidation to change as a result of this improvement, we are concerned that any clarifying footnote that suggests the sense in PS 1300 should be that of “ability” and not “power” as defined by the Conceptual Framework may be more confusing to readers of the standards, if such clarifications reside outside PS 1300.

We note that the wording of the proposed footnote to the new Conceptual Framework was not provided in the Exposure Draft and therefore we cannot provide comment on whether we agree with the proposed addition of the footnote.

5. Do you agree with the proposed amendments to align existing appendices in the PSA Handbook with categories of guidance established by IPSAS?

We agree with the proposed amendments.

6. Do you agree with the proposed amendments to correct for grammatical errors in the decision tree in Section PS 3050?

We agree with the proposed amendments.

7. Do you agree with the proposed amendments to PSG-8 to clarify application to inter-entity transactions?

We support clarifying that recognition of intangibles originally purchased in an arm’s length transaction is retained should that intangible be sold or transferred in an inter-entity transaction.



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However, we do not agree with the proposed amendments to PSG-8, *Purchased Intangibles* (PSG-8). We believe the clarification should be addressed through a narrow scope amendment to Section PS 3420, *Inter-entity Transactions* (PS 3420) rather than PSG-8. The amendments, as proposed to PSG-8 risk creating inconsistencies with the definition of a purchased intangible in PSG-8 and therefore the potential impact of the amendment, as currently proposed, goes beyond the scope of an annual improvement.

We do not agree with the inclusion of proposed paragraph 2A. A consolidated reporting entity would eliminate all inter-entity transactions as part of its consolidation process and only report transactions with parties outside of the reporting entity. Therefore there is sufficient guidance in other standards, such as Section PS 2500 *Basic Principles of Consolidation*, that inform preparers how to prepare consolidated financial statements. This paragraph is not necessary.

While we recognize the concerns that the proposed amendments in paragraphs 2B and 2C are aiming to address, we disagree that amending the scope of PSG-8 is the appropriate way to address the issue. We believe that inter-entity transactions should continue to be scoped out of PSG-8, and any concerns around recognition (or lack of recognition) of purchased intangibles in an inter-entity transaction is best addressed by clarifying when or how the PS3420.09 recognition requirements apply.

Our reasons for this are:

- PSG-8 does not provide measurement guidance for transactions. As such inter-entity transactions related to purchased intangibles are still in scope of PS 3420 for both recognition and measurement. Navigating between the two standards for recognition and measurement may be complex and challenging for preparers.
- The definition of a “purchased intangible” in PSG-8 paragraph 1 is “identifiable non-monetary economic resources without physical substance acquired through an arm’s length exchange transaction between knowledgeable, willing parties who are under no compulsion to act”. Therefore, inter-entity transactions, which are not at arm’s length, cannot be purchased intangibles under the definition of a purchased intangible. Any amendment to PSG-8 to scope in transfers of purchased intangibles between related parties would also have to amend the definition of “purchased intangible”, and we believe this would be a significant amendment.
- We do not think that a clarification in PSG-8 is necessary to resolve the issue identified. PS 3420.09 permits recipients to recognize assets or liabilities in its financial statements when the items satisfy the definition and recognition criteria for an asset and liability in Section PS 1000 *Financial Statements Concepts* (PS 1000). PS 1000.57 reads:

“Purchased natural resources, intangibles¹ and Crown lands are recognized in government financial statements when they meet the asset definition and the recognition criteria. However, when natural resources, intangibles and Crown lands have been inherited by the government in right of the Crown and have not been purchased, they



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are not given accounting recognition as assets in government financial statements. Similarly, developed intangibles, as well as all art and historical treasures are also not recognized as assets.”

The footnote 1 reads *“Recognizing purchased intangibles is addressed in Public Sector Accounting Guideline 8 (PSG-8), Purchased Intangibles.”*

Under PS 1000.57 an intangible asset originally purchased from a third party and not inherited in right of the Crown or that is not a developed intangible or art or historical treasure meets the recognition requirements in PS Section 1000.57, and is not precluded from recognition under PS 1000. Therefore, we believe that an acceptable interpretation when applying PS 3420.09 to an inter-entity transfer, or purchase, of such an asset would permit the asset to be recognized by the recipient as the asset would continue to satisfy the definition and recognition criteria for an asset and liability in PS 1000.57. In other words, an asset recognized when purchased in an arm’s length transaction cannot suddenly be ineligible for recognition under PS 1000 solely because it has been transferred within a government reporting entity. However, we acknowledge that other interpretations may be possible, and therefore we agree that some clarification on this would be helpful. We believe such clarification could be effectively included in PS 3420.09 as follows:

“.09 If inter-entity transactions involve the transfer of assets or liabilities, both entities would recognize the transactions. The provider would remove the assets or liabilities from its financial statements and any difference between the net proceeds received, if any, and the carrying amounts transferred would be accounted for as a revenue or expense in the statement of operations. The recipient would recognize assets or liabilities in its financial statements when the items satisfy the definition and recognition criteria for an asset and liability in FINANCIAL STATEMENT CONCEPTS, Section PS 1000. A transferred asset that has initially been recognized by a public sector entity as a purchased intangible in applying PURCHASED INTANGIBLES, PSG-8, continues to be recognized as a purchased intangible by the recipient.”

We would be pleased to respond to any questions you might have. Questions can be addressed to Lucy Durocher (lucy.durocher@pwc.com), or Sean Cable (sean.c.cable@pwc.com).

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Professional Accountants