



# PSAB Standard-Setting Due Process Manual

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## Introduction

1. This document sets out the due process that the Public Sector Accounting Board (PSAB) follows in setting financial reporting standards, including guidelines, as well as statements of recommended practices (other guidance). It guides PSAB staff on performing the required due process activities, and informs stakeholders on how the Board sets standards and how they can participate in the process. The procedures in this due process may also be useful for the Board when consulting with stakeholders on matters outside its technical agenda.
2. PSAB is an independent body with the authority to establish financial reporting standards and other guidance for use by all Canadian entities in the public sector. Through that authority, the Board has chosen to direct government business enterprises to Part I of the CPA Canada Handbook – Accounting. It also permits other government organizations to apply Part I of the Handbook where appropriate. The Board reserves the right to:
  - (a) make changes to this direction in whole or in part; and
  - (b) establish standards and other guidance for government business enterprises.
3. PSAB is directly accountable to the Accounting Standards Oversight Council (Oversight Council) for its performance in fulfilling its mandate, including adherence to due process. This Due Process Manual provides the Oversight Council with a basis for holding the Board accountable for the due process procedures that it follows in practice. At each Oversight Council meeting, the Board reports on its compliance with due process.
4. PSAB relies on the Accounting Standards Board's (AcSB) due process procedures for the development and finalization of the accounting standards in Part I of the Handbook. The AcSB is accountable to the Oversight Council for demonstrating compliance with due process procedures and PSAB relies on that assessment.

## Due Process Principles

5. PSAB's due process is built on its Terms of Reference and Statement of Operating Procedures, and is based on the following principles:
  - (a) transparency: conducting its standard-setting process in a transparent manner;
  - (b) consultation: considering the perspectives of those affected by Canadian public sector financial reporting standards and other guidance; and
  - (c) accountability: analyzing the potential effects of its proposals on affected parties and explaining the rationale for the Board's decisions when developing or changing a standard and other guidance.

## Consultation and Communication

6. Consulting widely with interested and affected parties enhances the quality of financial reporting standards and other guidance. This is why consulting the public and gathering stakeholder feedback on documents for comment is an integral part of due process. During PSAB's deliberations, stakeholder feedback helps identify when additional effort is required.
7. PSAB encourages communication with stakeholders by developing communication plans for public outreach. At every stage of its due process, the Board seeks stakeholder information and views using various communication vehicles to maximize public input and transparency. The Board's objective is to reach a wide target audience through communication platforms such as roundtables, public meetings, social media and written responses to public consultation documents.
8. PSAB posts decision summaries online soon after each meeting. These decision summaries inform stakeholders of progress on projects and compliance with due process.

## Committees

9. Task forces, advisory groups and other groups (committees) are key sources of input and advice for PSAB on a variety of matters, and contribute to developing standards and other guidance.
10. PSAB may choose to work through committees to provide assistance when conducting its projects. This gives the Board access to additional practical experience and expertise representing different communities, such as academia, preparers, accounting practitioners and financial statement users. When used, these committees are an important part of its governance infrastructure, helping to maintain, develop and improve accounting standards and other guidance. A committee is not required for every Board project (e.g., for annual improvements or a guideline or a non-controversial topic).
11. Each committee has a terms of reference, normally set out in a project proposal, which details the committee's:
  - (a) purpose, objectives and responsibilities;
  - (b) size and composition, including the optimum mix of members' backgrounds; and
  - (c) terms of appointment, including the proposed project timeline.
12. Committees, supported by PSAB staff, assist the Board with its projects by conducting research and making recommendations on the accounting and other issues set out in the project proposal. The project proposal includes a detailed plan

for completing the project. In the course of a project, the Board may provide further direction on next steps or expectations to its committees.

## **Comments received from the public**

13. Input and feedback are obtained from stakeholders through various mechanisms including in-person and virtual roundtables, comment letters, emails and other written feedback.
14. Comment letters play an important role in PSAB's deliberation process because they provide public responses to a formal consultation. When considering comments received, the Board reviews the issues and related explanations that all stakeholders raise.
15. Feedback with strong analysis and supporting evidence is one of the bases for developing standard-setting options. The analysis of feedback may result in PSAB doing additional outreach and analysis; for example, if a particular sector expresses a view different from other stakeholders, or if the views within a particular sector are divided. All written feedback the Board receives is available on its webpage shortly after the comment deadline, unless a respondent requests confidentiality.

## **Translation**

16. PSAB issues all its consultation papers, exposure drafts, standards and other guidance simultaneously in both English and French. Established policies for translating published materials ensure high quality.

## **Standard-Setting Due Process**

17. PSAB's standard-setting due process begins with its strategic plan. This plan sets out its multi-year policy objectives and is established after extensive stakeholder consultation, including being exposed for public comment.
18. The level of effort required within the due process varies depending on the type of project. Some factors influencing the level of effort include:
  - (a) the extent and significance of proposed changes;
  - (b) the extent of consultation required to build acceptance; and
  - (c) differing regional practices.
19. PSAB carries out the following mandatory due process activities:
  - (a) deliberates proposals in a meeting;
  - (b) exposes a draft of any proposed new standard or other guidance or amendments to a standard or other guidance for public comment;

- (c) provides an explanation of, and reasons for, key changes to existing standards or other guidance and their expected effects in each exposure draft;
  - (d) consults with stakeholders and considers their feedback;
  - (e) considers whether to re-expose proposals;
  - (f) publishes a basis for conclusions;
  - (g) exposes a proposed strategic plan for public comment;
  - (h) consults with the Oversight Council on strategic and operating plans, the technical agenda and work priorities; and
  - (i) provides transparent information to stakeholders.
20. PSAB considers undertaking the following significant due process activities and explains its reasons to the Oversight Council if they are not carried out. The Board:
- (a) provides the minimum comment period for all documents for comment as set out in the relevant sections of this manual;
  - (b) conducts outreach through committees, stakeholder activities and information sessions;
  - (c) exposes an extension to the term of the strategic plan for public comment;
  - (d) re-exposes proposals when the proposals have been significantly changed after considering comments received on an exposure draft; and
  - (e) considers the need for a post-implementation review of a new standard or major amendment to a standard after it has been applied for two years.
21. Depending on the complexity and extent of change required in developing a new or amended accounting standard or other guidance, PSAB categorizes the required level of change in standard-setting projects as follows:
- (a) New standards and other guidance:  
A new standard and other guidance is developed:
    - (i) to fill a gap in the existing framework; or
    - (ii) when changes made to an existing standard or other guidance are so significant that the existing standard or other guidance is replaced.
  - (b) Major amendments:  
Major amendments result in significant changes to accounting standards or other guidance. A significant change would cause a major change in practice; for example, a suggestion to change a fundamental or pervasive part of a standard or other guidance would generally be a major amendment.

(c) **Narrow-scope amendments:**  
Narrow-scope amendments address concerns about a specific aspect of a standard or other guidance that do not meet the criteria for annual improvements. These types of amendments would affect practice.

(d) **Annual improvements:**  
The annual improvements process corrects errors in the wording of standards or other guidance and clarifies existing pronouncements. Correcting errors includes resolving conflicts between existing requirements in the standards or addressing unintended consequences and oversights but does not affect practice. PSAB has adopted an annual process to identify and bundle together these amendments to reduce the number of individual changes to the standards or other guidance.

22. Due process procedures are applied to standard-setting projects and may be tailored depending on the type of change required. The various phases of the due process are set out below and described in subsequent paragraphs in further detail:

- (a) setting the priorities;
- (b) developing a project proposal;
- (c) publishing a consultation paper;
- (d) publishing an exposure draft;
- (e) finalizing a standard or other guidance; and
- (f) conducting procedures after a standard or other guidance is issued.

## **Setting the priorities**

23. The first step in developing a new standard or other guidance is to identify, assess and define the problem with the existing reporting practice. As part of this process, consultation is required. PSAB may consult with committees and other stakeholders or issue surveys.

24. When setting priorities to address identified issues, PSAB considers its strategic objectives. It also factors in:

- (a) relevance and importance to financial statements users;
- (b) existing guidance;
- (c) possibility of developing other feasible approaches to address the issues;
- (d) quality of the standard or other guidance to be developed relative to the Financial Statement Concepts;
- (e) whether the expected benefits to users of the improved financial or supplementary reporting will justify the costs of implementation; and

- (f) constraints on its resources and those of stakeholders.

## **Developing a project proposal**

- 25. Once the new projects are added to its active agenda, PSAB develops project proposals.
- 26. A project proposal highlights key project issues to be addressed. It outlines:
  - (a) the project scope;
  - (b) the type of project, such as a new standard or an amendment to a standard;
  - (c) associated research;
  - (d) potential benefits and costs;
  - (e) resources dedicated to the project;
  - (f) evaluation of risks; and
  - (g) estimated timelines to meet project milestones.
- 27. After considering the nature of the key project issues, PSAB reviews and approves the project proposal and may establish a project-specific committee. Regular discussions are held with relevant committees to ensure that the issues are thoroughly considered and well-informed recommendations are made to the Board on a timely basis.
- 28. When PSAB considers potential agenda items, it may decide that some issues require additional research before the Board adds them to its active agenda. Such issues may be considered as research projects.

## **Publishing a consultation paper**

- 29. A consultation paper is not mandatory within the due process. However, one may be issued for a new standard, other guidance or major amendment to seek stakeholder comments. PSAB might conclude that a consultation paper is not necessary because it has sufficient input from its research, including consultations with the appropriate committees and other stakeholders, to proceed directly to an exposure draft. Narrow-scope amendments and annual improvements proceed directly to an exposure draft.
- 30. A consultation paper:
  - (a) defines the issues and the scope of a project;
  - (b) identifies relevant financial accounting and reporting or supplementary reporting considerations;
  - (c) discusses research findings and relevant literature;



- (d) includes alternative solutions to the issues being considered;
  - (e) presents the arguments and implications relevant to each; and
  - (f) may include preliminary PSAB views and the rationale for them.
31. PSAB approves publishing a consultation paper after an affirmative vote of two-thirds of all its members. Once approved, the consultation paper is normally open for a minimum 90-day comment period. When the comment period ends, staff analyzes and summarizes the feedback received and provides the analysis and summary of the comments received for the Board's review. At its discretion, PSAB might consult further with stakeholders to get more input.

### **Publishing an exposure draft**

32. Publishing an exposure draft is a mandatory step in the due process before issuing a new standard or other guidance or amending an existing standard or other guidance. An exposure draft is PSAB's main mechanism for consulting stakeholders and soliciting comments through roundtables, meetings with stakeholders and written responses. It reflects specific proposals in the form of a proposed standard or amendment to a standard or proposed other guidance. An exposure draft may also include consequential amendments to other standards or other guidance to maintain internal consistency of the complete set of standards. Insignificant changes to cross-references, terminology and other matters that are administrative in nature may be omitted from the exposure draft. The rationale behind the Board's decisions is included in a basis for conclusions that accompanies the exposure draft for new or amended standards.
33. When PSAB has completed its deliberations and all mandatory due process requirements, the Board approves the proposals in an exposure draft with an affirmative vote of two-thirds of all its members.
34. PSAB normally allows a minimum 90-day comment period. When the comment period ends, the committee, supported by staff, analyzes the feedback received and the results of other consultations, such as roundtables. The Board reviews:
- (a) written feedback received;
  - (b) a summary of the comments received;
  - (c) input and advice from the committee;
  - (d) feedback from other consultations; and
  - (e) an analysis of the major points.

To seek further comments and suggestions, the Board may conduct further consultations.

## **Exposure draft for annual improvements**

35. Some proposed amendments to standards and other guidance that are minor or narrow in scope can be packaged together and exposed in one document. Such amendments are called “annual improvements”. Annual improvements follow the same due process as other amendments to standards, except that they consist of unrelated amendments that are issued for comment in a single exposure draft. A basis for conclusions is not required to accompany the exposure draft for annual improvements.
36. The justification for exposing unrelated improvements in one document is that such amendments are limited to changes that either clarify the wording in a standard or other guidance or correct relatively minor unintended consequences, oversights or conflicts between existing requirements of standards or other guidance. They do not propose a new principle or a change to an existing principle. Although it is not necessary to undertake consultation or outreach for annual improvements beyond the comment letter process, PSAB may consult with stakeholders.
37. Annual improvements normally have a minimum 60-day comment period.

## **Finalizing a standard or other guidance**

38. The mandatory parts of a standard are:
  - (a) principles and the related application guidance;
  - (b) defined terms; and
  - (c) effective date and transitional provisions.
39. A standard may have appendices that provide authoritative guidance, and illustrative examples and other material that are non-authoritative.
40. When a new standard or amendment to a standard is issued, it may be accompanied by consequential amendments to other standards.
41. The final decision to issue, amend or withdraw a standard is approved with an affirmative vote of two-thirds of all PSAB members.

## **Assessing whether changes to the proposed standard or other guidance are significant**

42. Before approving a final standard or other guidance, PSAB decides, by formal vote, whether, in its judgment, redeliberation of the issues has significantly changed the exposed proposed standard or other guidance. If the proposals have been significantly changed, re-exposure of the standard or other guidance is required unless the Board decides, by formal vote, not to re-expose for one or more reasons.

Those reasons are described in the basis for conclusions prepared when the project is completed.

43. When deciding whether to re-expose, PSAB:
  - (a) identifies substantial issues that emerged during the comment period on the exposure draft that it had not previously considered;
  - (b) assesses the evidence that it has considered;
  - (c) determines whether it has sufficiently understood the issues, implications and likely effects of the new requirements or recommended practices, and actively sought the views of interested parties;
  - (d) considers whether the various viewpoints were appropriately discussed in the exposure draft;
  - (e) assesses whether the revised draft includes any fundamental changes on which respondents have not had the opportunity to comment because they were not contemplated or discussed in the exposure draft; and
  - (f) considers whether it will learn anything new by re-exposing a revised draft.
44. If PSAB is satisfied that the revised draft responds to the feedback and that it is unlikely that re-exposure will reveal any new concerns, it proceeds to finalize the proposed requirements or recommended practices.
45. The more extensive and fundamental the changes from the exposure draft and current practice, the more likely the revised draft should be re-exposed. However, PSAB weighs the cost of delaying improvements to financial or supplementary reporting against the relative urgency for the change, and considers what additional steps it has taken to consult with stakeholders since issuing the exposure draft. Using committees or targeted consultation can give the Board information to support a decision to finalize a revised draft without re-exposure. If the Board decides that re-exposure is necessary, the due process is the same as for the initial exposure draft.
46. The public comment period for a re-exposed proposal is normally a minimum of 60 days.

### **Effective date and transition**

47. A standard, or an amendment to a standard, has a mandatory effective date and transitional provisions. The mandatory effective date is set to enable those applying the standard to have sufficient time to prepare for the new requirements.

### **Basis for conclusions**

48. A basis for conclusions accompanies exposure drafts for new or amended standards, other than annual improvements. A basis for conclusions is issued on all final

standards including new or amended standards and annual improvements. A basis for conclusions may be issued at PSAB's discretion for exposure drafts and final versions of other guidance tailored to the nature of that guidance.

49. PSAB explains the rationale behind its decisions in developing a proposal or standard or changing a standard in the basis for conclusions. The document includes:
- (a) reasons for undertaking the project;
  - (b) alternatives considered and why the Board made the decisions reflected in the proposals or final standard;
  - (c) an effects analysis, including a discussion of the expected effects that the proposal or final standard will have on financial reporting, such as costs and benefits, with a conclusion that the benefits justify the costs;
  - (d) a summary of the significant issues stakeholders raised on proposals and the reasons for the Board's decisions on these issues;
  - (e) any Board members' dissenting views; and
  - (f) reasons for not re-exposing the standard when the proposals have been significantly changed.

## **Publication**

50. Before PSAB issues a standard, an amendment to a standard or other guidance, it decides what communications must be developed to promote their awareness.

## **Conducting procedures after a standard or other guidance is issued**

### **Post-publication procedures and maintenance**

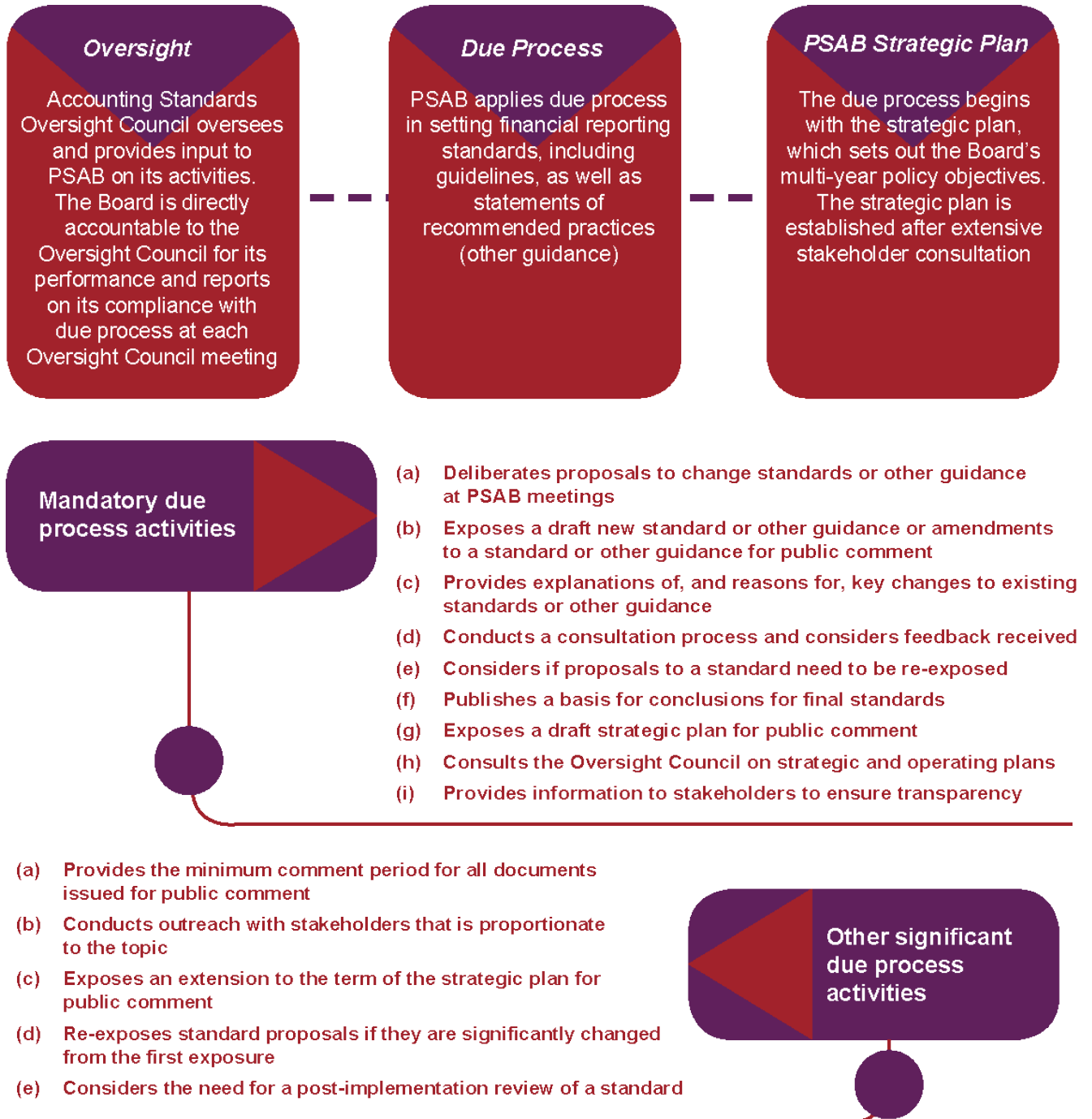
51. After a standard or other guidance is issued, the Public Sector Discussion Group and other interested parties may inform PSAB of unexpected issues arising from the implementation of the standard or other guidance and the potential effect of its provisions. If necessary, the Board considers amending the standard or other guidance to clarify or address these issues.
52. From time to time, there may be a need for an editorial correction to revise minor inaccuracies, including misspellings, mistranslations, numbering and grammatical mistakes. Such corrections do not alter the technical meaning of the text. These are made without exposure and with the approval of the Director, Public Sector Accounting Standards.

## **Post-implementation review**

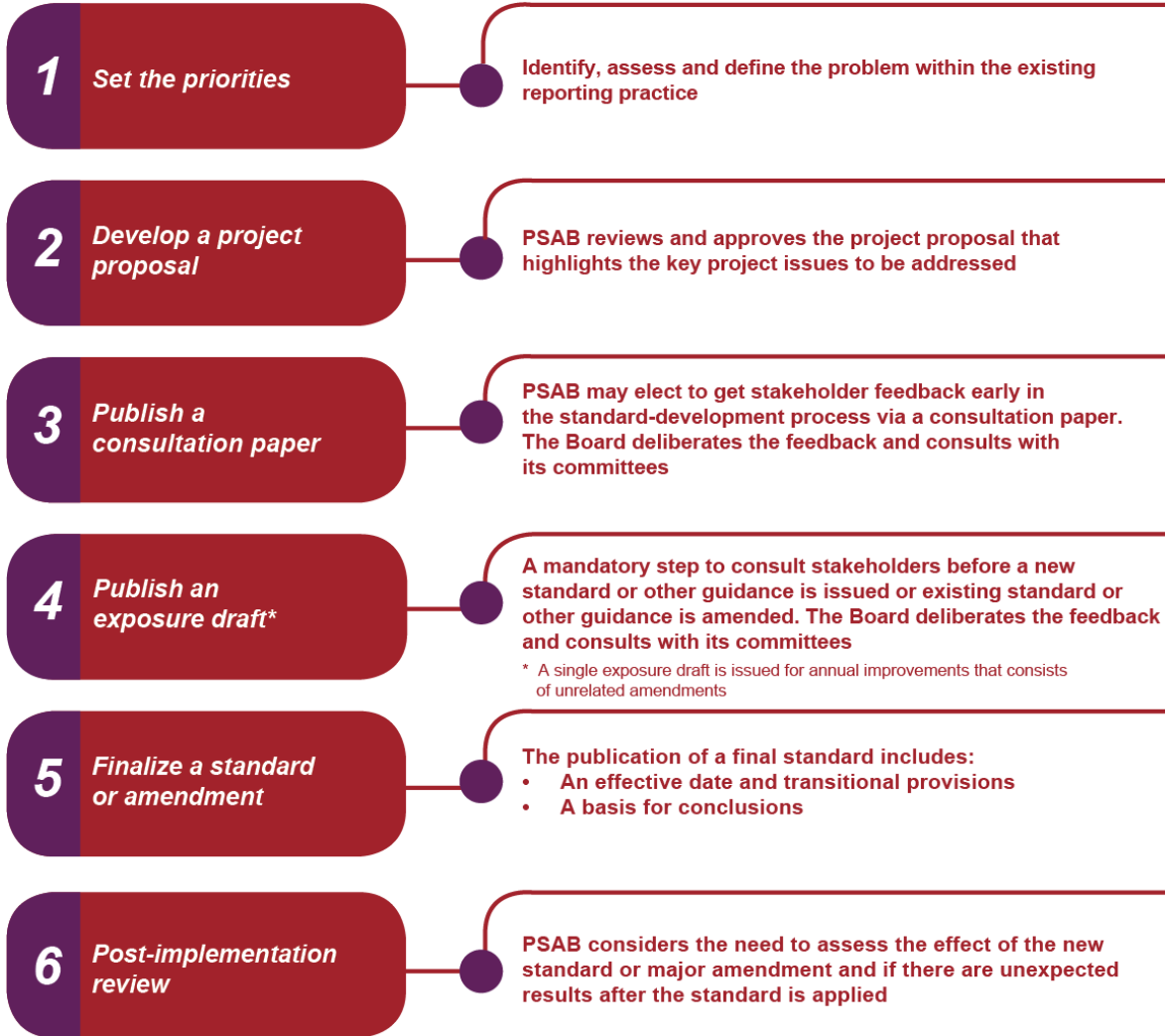
53. A post-implementation review assesses:
- (a) the extent a new standard or major amendment achieved its intended objectives;
  - (b) the effect of a new standard or major amendment;
  - (c) the extent the standard or major amendment has been implemented, applied and interpreted as intended;
  - (d) areas where possible implementation problems were encountered; and
  - (e) areas for improvement in the standard and the standard-setting process.
54. After the new or amended standard becomes effective, there is usually a two-year period before deciding if a post-implementation review is needed. PSAB assesses the situation on a case-by-case basis to determine the appropriate number of years before beginning a review and makes the decision at its discretion.
55. Based on its initial assessment, PSAB may decide not to conduct a post-implementation review or that it would be premature to undertake a review at that time. In this situation, the Board would inform the Oversight Council of its decision not to carry out or to defer a review, explaining why it has reached this conclusion and, in the case of a deferral, indicating when it expects to conduct the review.
56. As a result of the review, PSAB may decide to amend the standard. In this case, the Board follows the same process as when it develops a new standard or amends an existing standard.
57. The post-implementation review has two main activities:
- (a) information gathering and outreach; and
  - (b) a public report on the review.
58. Information gathering and outreach may include consultation with stakeholders. PSAB normally allows a minimum of 90 days for comment on such a consultation. The Board considers the comments received, along with the evidence and information obtained from any additional analysis. When the Board completes its deliberations, it summarizes its findings and related analysis in a public report.
59. In addition to post-implementation reviews that respond to a new standard or major amendment, PSAB may decide to conduct a review in response to changes in the financial reporting environment and regulatory requirements, or concerns about the quality of a standard that have been expressed by the Board's committees, the Oversight Council or stakeholders.
60. PSAB must inform the Oversight Council when it has completed its review, and provide it with a copy of the final report.



## Visuals



## Phases of Due Process



### Standard-Setting Project Categories

