

Future considerations: Roundtable on emerging issues

Extract, PSA Discussion Group Report on the Public Meeting – November 20, 2020

The session's objective was to leverage the ideas of the Discussion Group to advise PSAB of possible considerations as it develops its future strategies and technical agenda. One Group member offered some broad opening considerations to position the conversation, including societal debates over the relevance of institutions and the concept of truth. In this environment, it bears asking how financial reporting standards contribute to economic and social stability as well as quality of life. Sustainability, in many senses, is a key part of economic and social stability. Without it, they are not achievable. The Group was encouraged to think about long-range issues to support PSAB during strategic planning.

Members brought significant ideas to the table, with the following broad themes:

I. PSAB must consider the full scope of the stakeholder groups using PSAS and ensure they are relevant for each group's needs, specifically:

1. **Sovereign governments:** Do not lose focus on their needs/issues.
2. **Local governments:** Future technical projects need to address local governments' specific issues; for example, a full review of accounting for growth (e.g., development fees).
3. **Indigenous governments:** Engage more fully with this stakeholder group (consider how and when). Acknowledge their issues (e.g., government business enterprise (GBE) issues, including their interest in using CPA Canada Handbook – Accounting Standards for Private Enterprises for smaller GBEs¹). Consider if there is a need for customized reporting. Commitment to this stakeholder group must be sustained. Consider their unique characteristics, including inherent rights and title implications. Additionally, consider how Indigenous communities plan over generations rather than just fiscal periods.
4. **GNFPOs:** Decide and implement PSAB's GNFPO strategy.

II. Newer transactions/new accounting challenges:

1. Accounting for data (intangible? When to recognize and how to measure?).
2. Intangibles including cloud computing arrangements.
3. Digitization and transformation of organizations:
 - implications for financial reporting of doing business differently;

¹ For example, see issues discussed at the November 2018 PSA DG Meeting in the meeting report, which can be found here: <https://www.frascanada.ca/en/psab/committees/psadg/archived-meeting-reports>

- integrated projects to be conducted by PSAB bridging related topics for which digitization has implications (e.g., intangibles, infrastructure, impairment, etc.); and
 - capital versus operating distinction is not as clear for digital assets.
4. Green infrastructure.
 5. The environment/natural capital.

III. Existing concerns:

1. Active PSAB projects, such as pensions, conceptual framework and the reporting model are important. The Board should try to complete them in a timely manner to address current application challenges.
2. Pandemic costs and debts, such as loans, commitments, and fiscal sustainability.
3. Roll out of the international strategy, including ensuring that any International Public Sector Accounting Standards (IPSAS) leveraged are appropriate for each major stakeholder group.
4. Going concern questions, including flags for issues, impact on net debt, when to deal with a going concern issue in the financial statements and impairment. Additionally, public sector specific guidance is needed (different risks, some organizations more fragile).
5. Examples of topics to address in PSAB's technical agenda include leases, rate regulated accounting, reconsidering hedge accounting for financial instruments, reconsidering replacement cost measurement attribute for tangible capital assets, componentization of infrastructure assets.
6. Consider doing fewer projects faster.
7. Consider implications of many new standards for smaller governments and entities as changes can be overwhelming. Give longer transitional periods for new standards. Space out effective dates to allow easier implementation by smaller governments and entities.

IV. Expanded reporting:

1. Sustainability reporting, including:
 - (a) Fiscal sustainability and sustainability of future service provision;
 - (b) Infrastructure deficit;
 - (c) Climate change; and
 - (d) Commitments to international sustainability agreements – financial statement implications (e.g., risk-sharing, liabilities, and commitments).
2. Reporting risks and uncertainties, including:

- (a) Disclosures of nature and implications of risks and uncertainties;
- (b) Estimation uncertainties; and
- (c) Transparency to users.

Possible non-authoritative guidance:

1. Understanding debt and deficits; and
2. Fiscal sustainability.

Possible future submission topics:

1. Regulatory charges, including carbon-price levy (or “carbon tax”);
2. Componentization of infrastructure assets;
3. Use of foundations;
4. Natural capital; and
5. How do accounting standards contribute to global stability (e.g., financial, social)?