



# Consultation Paper

## Draft Strategic Plan

# Shaping our Future Together

**2022 – 2027**

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**COMMENTS TO PSAB MUST BE RECEIVED BY  
OCTOBER 6, 2021**

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## TABLE OF CONTENTS

<b>Chair message</b> .....	<b>1</b>
<b>Request for comments</b> .....	<b>2</b>
<b>Mission and vision</b> .....	<b>3</b>
<b>Environmental scan</b> .....	<b>4</b>
<b>Strategies</b> .....	<b>6</b>
Strategy #1 – Develop relevant and high-quality accounting standards.....	7
Strategy #2 – Enhance and strengthen relationships with our stakeholders.....	8
Strategy #3 – Enhance and strengthen relationships with other standard setters.....	10
Strategy #4 – Support forward-looking accounting and reporting initiatives.....	11
<b>Risk and accountability</b> .....	<b>12</b>

## CHAIR MESSAGE

The public sector is facing many challenges, changes, and transformations. Even before COVID-19 changed how we live and work, several global trends were taking hold and creating a new normal. Within that context, PSAB is seeking to ensure its continued relevance to stakeholders.

I am pleased to step into the role of PSAB's chair during this time of significant change and opportunity. At the core of how we move forward is ensuring relevance, responsiveness, and accountability. The only way we can do this is with the input and support of our diverse stakeholders. PSAB's independence, coupled with our close relationship to stakeholders, is critical to our ability to provide the guidance necessary to prepare and present financial information that is transparent, adds value, and helps ensure accountability.

Our [2017-2022 Strategic Plan](#) was focused on laying the foundation for this new reality. And we are positioned to accomplish what we set out to do in that plan – from proposing a new Conceptual Framework, establishing a new path for government not-for-profit organizations, to establishing our International Strategy. We now must address today's most pressing challenges. This goes well beyond the pandemic, and includes accelerating technological advancement and the growing public demand for a more sustainable future.

Our new Draft Strategic Plan is clearly focused on meeting the demands of the present while anticipating the needs of the future. To keep pace with rapid change, we have outlined opportunities to build speed, adaptability, and efficiency into the standard-setting process, and to leverage and adapt international standards to Canada when appropriate. We will also work to strengthen relationships with international standard setters. To ensure Canada's public standards are relevant and forward-looking, we will monitor initiatives to encourage and support sustainability reporting, while also initiating specific actions to enhance our relationships with stakeholders.

For the Board to have the time it needs to execute these strategies, this Draft Strategic Plan spans the five-year period between April 2022 and March 2027. During this period, we will conduct at least one formal assessment to ensure its effectiveness and relevance. Any required changes would continue to be subject to the Board's [due process](#), and would be shared for public consultation and stakeholder input.

I believe this new strategy will position PSAB and its stakeholders for the future, a future where the ability to adapt quickly is key. These objectives will also help PSAB continue to meet the needs of our stakeholders and establish high-quality, relevant standards and guidance.

Your input and advice will help inform the final strategy. Thank you for your support and your insights.

**Clyde MacLellan, FCPA, FCA**  
PSAB Chair

What is PSAB and how do we serve Canadians?

[Find out](#)

## REQUEST FOR COMMENTS

Comments to PSAB must be received by October 6, 2021.

We value your input and look forward to your feedback on this Draft Strategic Plan. Comment on this document on [Connect.FRASCanada.ca](https://connect.frascanada.ca) or by submitting a [comment letter](#) addressed to:

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

## Questions

We welcome comments from individuals, governments, and organizations on all aspects of this Draft Strategic Plan. In particular, we would like to hear your views on the following questions:

1. Do you agree with our mission and vision statement? If not, please provide details or recommend specific changes.
2. Are there any significant environmental factors that you think will impact our stakeholders that we have not identified? If yes, please provide details.
3. Do you agree with the strategies developed? If not, what additional strategies should be considered? Where appropriate, please specify the individual strategies that you do or do not support with your reasoning.
4. Do you have any other comments for PSAB on the content included in this Draft Strategic Plan?

## MISSION AND VISION

PSAB's mission and vision are listed below. These statements are at the heart of all activities and drive every decision made by the Board.

### Mission

To serve the public interest by developing independent accounting standards and other reporting guidance that support accountability, informed decision making, and stewardship among Canadian public sector entities.

### Vision

To be a globally respected standard setter that helps Canada's public sector report relevant and high-quality information to the public.

### Serving the public interest

As outlined in our mission, PSAB operates to serve the public interest. This means that we:

- act in the public interest; and
- ensure that our standards are issued in the public interest.

Acting in the public interest requires us to adopt processes and procedures that reflect accountability, independence, and objectivity. This also means that we consider the costs and benefits of our standards and follow our due process.

Ensuring that our standards are issued in the public interest is another essential component. This requires our standards to provide evidence of accountability and report information to help make assessments and judgments about a public sector entity's financial operations and management.

## ENVIRONMENTAL SCAN

Various external factors were considered when developing this Draft Strategic Plan. These helped to guide and shape the development of our strategies.

### COVID-19 pandemic

First and foremost, we recognize that COVID-19 has had a significant and unprecedented impact on our stakeholders. Many public sector entities also continue to face challenges related to the pandemic. This could include experiencing financial hardships or adjusting to new and less conventional ways of working.

PSAB remains committed to supporting our stakeholders during this time of uncertainty. We will be mindful of the challenges created by the pandemic and attentive to our stakeholders' needs during the upcoming strategic planning period. In particular, this means engaging and communicating with our stakeholders in ways that are efficient, flexible, and convenient.

### Relevance and timeliness of accounting standards

There is an increased focus on the importance of relevance and timeliness within the accounting profession. This importance is magnified by the abundance of real-time information available to our stakeholders, which is increasingly being used to drive their decision making.

Along these lines, it is imperative that we focus on ensuring our accounting standards are both relevant and timely. This emphasis includes developing standards that address current and emerging issues in an expedient manner.

### General acceptance of accounting standards

Ensuring that our standards reflect and capture the needs of our stakeholders is essential to their acceptance and impact. PSAB understands that the acceptance of public sector accounting standards is voluntary for certain public sector entities. As a result, efforts are needed to empower these entities by:

- involving them in the development of our standards;
- ensuring they recognize the benefits of applying our standards; and
- obtaining their feedback after implementation of our standards.

We also know that public sector entities have many different structures and types of transactions. Developing standards to address these varying needs is increasingly complex as the application of public sector accounting standards is expanded.

### International standards

Globalization remains a dominant force in both auditing and accounting. This has facilitated the shift to the adoption of international standards including International Standards on Auditing and IFRS® Standards.

From a public sector perspective, the International Public Sector Accounting Standards Board (IPSASB) develops International Public Sector Accounting Standards (IPSAS). A growing number of governments around the world use IPSAS directly or indirectly to develop national standards for their own use.

The increasing use of international standards was one of the factors that framed PSAB's decision on our [International Strategy](#). As part of this strategy, we will continue to develop public sector accounting standards, but will base future standards on the principles of IPSAS. Specific [criteria](#) have been

established to determine when departures from IPSAS principles are warranted. This also underscores the importance of maintaining a strong relationship with the IPSASB and other international accounting standard setters.

The use of standards such as IFRS® Standards and IPSAS additionally highlight certain key practices and trends. This includes:

- an increased focus on transparency;
- use of principles of substance over form; and
- a move toward recognition and measurement at fair value.

## Environmental, social and governance (ESG) reporting

Various frameworks on ESG reporting have been developed in recent years. This consists of the guidance on climate developed by the Task Force on Climate-related Financial Disclosures (TCFD) as well as the sustainability standards introduced by, among others, the Sustainability Accounting Standards Board and the Global Reporting Initiative. Adoption of these and other sustainability frameworks is gaining momentum among publicly accountable entities. This trend is expected to continue.

The IFRS Foundation also recently issued its [Consultation Paper on Sustainability Reporting](#) which recommends the creation of a new sustainability standards board. We are watching developments in this area closely to determine the impact on our strategies.

The above advancements in ESG reporting highlight the increased importance of providing this information to financial statement users. They also indicate that the public is looking beyond traditional financial information to evaluate the performance of public sector entities and make informed decisions.

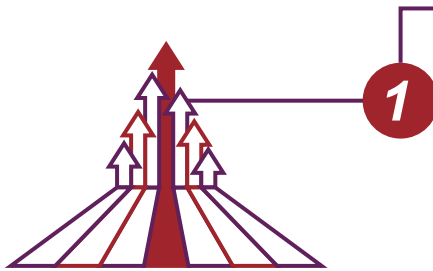
## Technology

Changes in technology are having a profound impact on the accounting profession and its stakeholders. This includes the increased digital consumption of financial information as well as significant technological developments in areas like cloud computing, artificial intelligence, and blockchain. The COVID-19 pandemic has also accelerated trends of working from home and the use of online spaces to collaborate and remain connected.

Using technology is essential to engage in effective communication and outreach with our stakeholders. Accordingly, the use of virtual tools will underscore many of our activities during the upcoming strategic planning period.

## STRATEGIES

The strategies developed for the Draft Strategic Plan are outlined below. These will be our key areas of focus going forward.



1

### *Develop relevant and high-quality accounting standards*

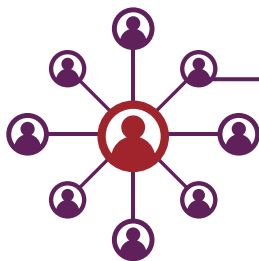
- Continue to develop relevant and high-quality accounting standards
- Refine and enhance our development processes
- Implement our new International Strategy



2

### *Enhance and strengthen relationships with our stakeholders*

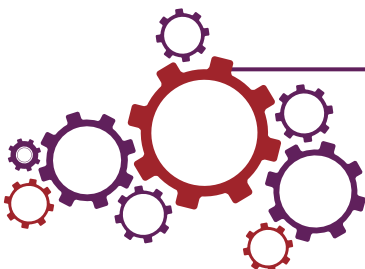
- Proactively engage and effectively communicate with our stakeholders
- Increase engagement with Indigenous Governments
- Explore the use of customized reporting



3

### *Enhance and strengthen relationships with other standard setters*

- Strengthen relationship with the IPSASB to collaborate on and influence the development of IPSAS
- Continue to work together with the IASB, the AcSB, and the AASB



4

### *Support forward-looking accounting and reporting initiatives*

- Support and encourage ESG reporting in the Canadian public sector
- Consider developing Canadian-specific ESG reporting guidance
- Stay engaged in other forward-looking areas of financial reporting



## Strategy #1 – Develop relevant and high-quality accounting standards

Accounting standards provide a common and essential measurement basis for assessing public sector entities and their financial results. These standards lend credibility to the financial information reported.

Setting accounting standards for the Canadian public sector in line with our due process remains our primary role. We will continue to serve the public interest by balancing the following considerations in the development of our standards:

- Delivering relevant standards in a timely and responsive manner to support a well-functioning Canadian public sector and a strong Canadian economy.
- Establishing high-quality standards that promote confidence in the information reported by Canadian public sector entities.
- Being accountable to our stakeholders by proactively obtaining their feedback and facilitating this input into the development of our standards.
- Considering the costs and benefits to preparers and users of the financial statements.

We understand that operating in our current environment means bringing more agility and responsiveness to the standard-setting process. As a result, we will continue to refine our processes to develop our accounting standards more effectively. This enhancement includes implementing the following changes:

- Exploring varied project governance models outside of the use of traditional task forces to promote flexibility and adaptability.
- Delivering timelier and more expedient guidance by:
  - setting our accounting standards in smaller, more incremental phases when feasible;
  - developing narrow-scope amendments or issuing non-authoritative guidance; and
  - utilizing more effective project planning and management tools.

PSAB also recently approved a new International Strategy. This strategy will help us remain nimble as we can streamline work efforts and leverage international best practices for the Canadian public sector. This approach should also help us to improve the time-to-market in the development of our accounting standards.

Finally, PSAB is expected to complete the new [Conceptual Framework and Reporting Model](#) project in 2022. This foundational project will provide a platform to refine the development of our accounting standards in tandem with the changes outlined above.

## Strategy #2 – Enhance and strengthen relationships with our stakeholders

PSAB recognizes that the rich diversity of input we receive from our stakeholders directly contributes to the relevance and quality of the work we produce. As a result, it is essential that we enhance and strengthen these important relationships.

We will continue to build on these relationships by ensuring we are effectively engaging and communicating with our stakeholders during the upcoming strategic planning period. This will include performing the following activities:

- Proactively engaging in outreach before and during the standard-setting process; for example, through the [Public Sector Accounting Discussion Group](#).
- Establishing more robust expert panels, focus groups, and advisory committees to solicit our stakeholders' expertise and input.
- Ensuring that feedback from a wide variety of stakeholders is obtained, including from users of the financial statements.
- Maximizing plain-language content to communicate Board decisions and updates.
- Using technology to collaborate with our stakeholders quickly and more efficiently; for example, through [Connect.FRASCanada.ca](#), our new community engagement platform.

Effective communication also includes informing our stakeholders of the value of adopting our accounting standards. It is imperative that we effectively promote and explain the rationale behind our standard-setting activities and why our decisions are in the public interest.

In addition, we remain cognizant that we must continue communication efforts with our stakeholders even after a standard is approved. It is important to engage with our stakeholders on post-implementation issues to ensure that our standards are clearly applied and are meeting users' needs.

Two additional areas of focus are listed below:

### Increased engagement with Indigenous Governments

We recognize that Indigenous Government stakeholders are under-represented within our standard-setting process. We are committed to enhancing our relationship with these stakeholders by establishing more robust channels of communication and building stronger ties with these communities. This could include the development of specific working groups where appropriate.

We will also collaborate with Indigenous Government institutions to better understand the unique needs and challenges faced by these stakeholders. It is our intention that we improve the way we engage with and understand these communities while continuing to serve the broader public interest.

## Use of customized reporting

Enhancing our relationship with stakeholders includes ensuring that we are meeting their diverse financial reporting needs. Using the new Reporting Model as a benchmark, we will continue to explore whether the application of a customized reporting approach would be beneficial for different stakeholder groups.

This could include:

- developing varied financial reporting or presentation requirements for different types of public sector entities; or
- providing accounting guidance for transactions which primarily impact a specific type of public sector entity.

This type of reporting approach, when warranted, could provide flexibility and help meet the varying reporting needs of our stakeholders. The development of any potential customizations would also be subject to a robust review and analysis of stakeholder feedback, including that received as part of the [Government Not-for-Profit Strategy Consultation Paper II](#).

### Strategy #3 – Enhance and strengthen relationships with other standard setters

Enhancing and strengthening our relationship with other standard setters is also essential to our success over the upcoming strategic planning period.

In line with our new International Strategy, we will continue to develop and enhance our relationship with the IPSASB. This will ensure that PSAB can collaborate on and influence the development of IPSAS. These interactions will increase the likelihood that IPSAS principles will be found to serve the Canadian public interest once PSAB decides to undertake a similar standard-setting project.

Activities performed to develop a closer relationship with the IPSASB will include the following:

- Reviewing IPSASB meeting materials and providing briefing notes to Canadian representatives on the IPSASB.
- Supporting more extensive communications between PSAB and IPSASB staff.
- Submitting PSAB responses to IPSASB documents for comment, including consultation with Canadian stakeholders.
- Encouraging Canadian stakeholders to submit responses to IPSASB documents for comment.
- Enhancing our involvement, where possible, with IPSASB task forces and discussion groups.
- Attempting to add value to the IPSASB in areas where Canada has expertise.

It is also imperative that we forge strong relationships with other international and domestic standard setters. This includes the International Accounting Standards Board (IASB), as well as the Accounting Standards Board (AcSB) and the Auditing and Assurance Standards Board (AASB).

We will continue to work together with these Boards using a variety of means, including by performing the following activities:

- Staying informed and up to date on their standard-setting activities.
- Collaborating on responses to relevant documents for comment.
- Sharing and leveraging best practices in standard-setting.
- Reviewing and sharing technical expertise or research.
- Encouraging more extensive communications between staff and Board members.
- Working together, where applicable, to explore which types of frameworks certain public sector entities should apply.

Cultivating these relationships is vital to ensure that PSAB remains relevant and influential on a global scale. These activities will also help us to serve our stakeholders more effectively in Canada.

## Strategy #4 – Support forward-looking accounting and reporting initiatives

It is important that we are actively engaged in emerging accounting and reporting issues to ensure we remain relevant. One of the most significant emerging issues is sustainability and the subsequent reporting of an entity's ESG impacts or policies.

We will support and encourage ESG reporting during the upcoming strategic planning period by performing the following activities:

- Ensuring that ESG themes are considered as part of our existing and future standard-setting projects.
- Monitoring and encouraging voluntary ESG disclosure efforts in the Canadian public sector.
- Continuing active engagement with our stakeholders on ESG issues through the Public Sector Accounting Discussion Group.
- Supporting industry initiatives to provide training and guidance on ESG reporting. Some recent examples include the following CPA Canada tools:
  - [Climate-related Issues: Questions to Ask Under Existing Public Sector Generally Accepted Accounting Principles \(GAAP\) and Statements of Recommended Practice \(SORPs\)](#); and
  - [Enhancing Climate-related Disclosure by Cities: A Guide to Adopting the Recommendations of the TCFD](#).

We will also consider whether we should develop additional guidance on ESG reporting for the public sector in Canada. This could include establishing non-authoritative disclosure guidance on climate or guidance on reporting and measuring an entity's performance against the United Nations Sustainable Development Goals.

As previously outlined, we are aware of various international developments with respect to ESG reporting, including the potential for a new sustainability standards board to be established by the IFRS Foundation. We will consider leveraging work performed by this new entity, or other existing sustainability frameworks, in providing the potential ESG reporting guidance described above. How, and to what extent, we provide this guidance may be reassessed as further developments in this space are made.

Finally, PSAB will continue to stay engaged in other forward-looking areas of financial reporting to ensure that relevant accounting standards and other guidance are being developed. This could include areas such as the accounting for intangible assets. These actions will help PSAB take a more proactive role in shaping the future of standard-setting in Canada.

## RISK AND ACCOUNTABILITY

Our risk management process requires us to regularly assess our risks. This includes the identification and evaluation of our risks, as well as reviewing the controls we have in place to mitigate these risks.

To ensure we achieve our public interest mandate, we continue to manage our risks in the following areas:

- Strength of our reputation and acceptance of our standards.
- Effectiveness of consultation and communication with stakeholders.
- Effectiveness of Board members, staff, and other volunteer members.
- Timeliness in addressing significant issues or gaps with existing standards.
- Effectiveness of our strategic decisions.

We are also accountable to our stakeholders and the Accounting Standards Oversight Council (AcSOC) for the achievement of our strategies and fulfillment of our mission and vision. We report annually to the AcSOC on our performance.

We will measure the achievement of our strategies going forward by:

- Developing annual plans to set out the specific activities that support the achievement of our strategies.
- Using annual reports to inform the public of our performance on the specific activities above.
- Completing regular performance assessments to evaluate the progress toward achieving our strategies.

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