
PSAB Future Work Plan Consultation



PSAB is an independent body created to serve the public interest by developing accounting standards for the Canadian public sector. We also provide reporting guidance for financial and other performance information.

For further details on PSAB, including a description of our stakeholders and members, please visit our [website](#).



The Accounting Standards Oversight Council (AcSOC) oversees PSAB's activities, assesses and reports on our performance to the public, and ensures we follow our rigorous due process. AcSOC also appoints our members and provides input on our strategies and priorities.

For further details on AcSOC, please visit its [website](#).

Table of Contents

- Scope of the Consultation4**
 - Objective.....4
- The Proposed Topics.....6**
- Why Is Sustainability Not a Proposed Topic?.....6**
- Consultation Overview8**
 - What are major projects?.....9
 - What are minor projects?.....9
- Why These Proposed Projects? 10**
 - The starting point..... 10
 - How PSAB evaluates project topics 10
 - PSAB proposed projects 11
 - Major projects 12
 - Minor projects 13
- Responding to This Consultation 15**
 - Questions for respondents 15
 - How to comment..... 15
- Appendix A – Requirements of PSAB’s Due Process..... 16**
 - Setting the priorities..... 16

Scope of the Consultation

The Public Sector Accounting Board (PSAB) has limited resources. This Consultation Paper sets out future projects PSAB may consider. They are in addition to those already highlighted in its [Strategic Plan for 2022-2027](#), some of which are underway or starting this year (see [PSAB's 2022-2023 Annual Plan](#)).

Both current and planned activities have PSAB resources allocated to them. Residual resources are expected to become available over the strategic planning period, allowing the Board to start new projects. This Consultation Paper focuses on possible topics for these new projects.

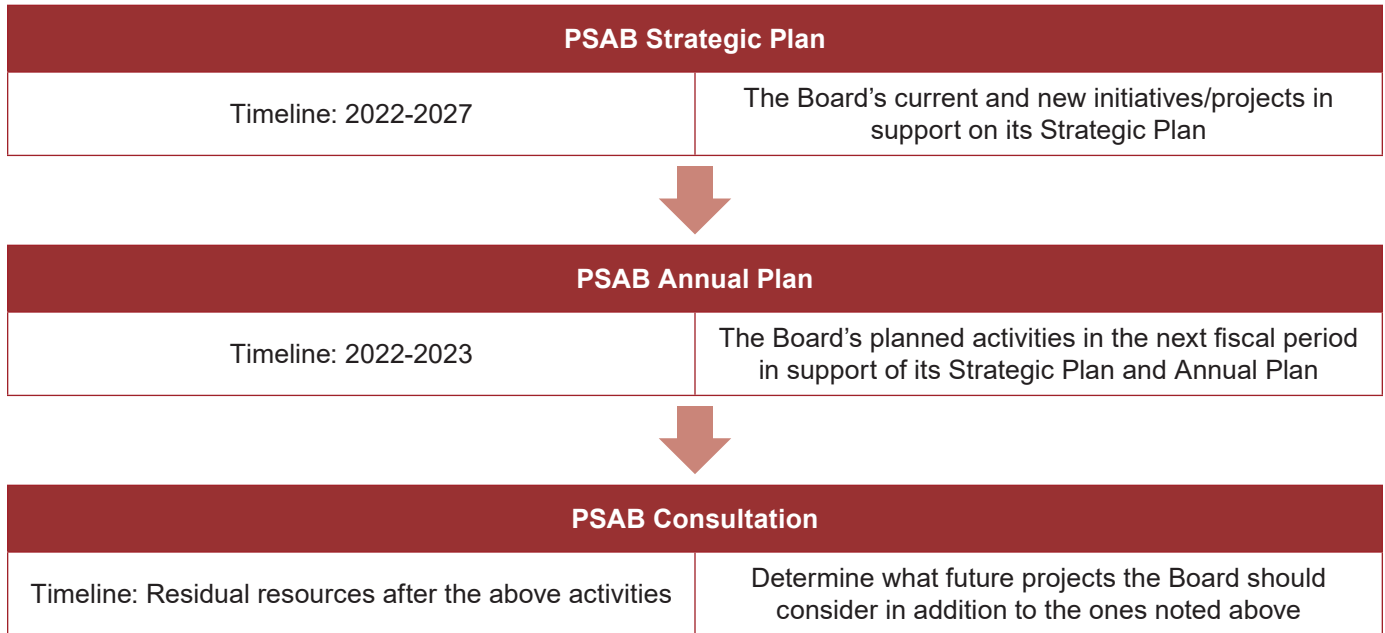
Projects and activities identified in PSAB's Strategic Plan and its Annual Plan are not part of this Consultation Paper.

Objective

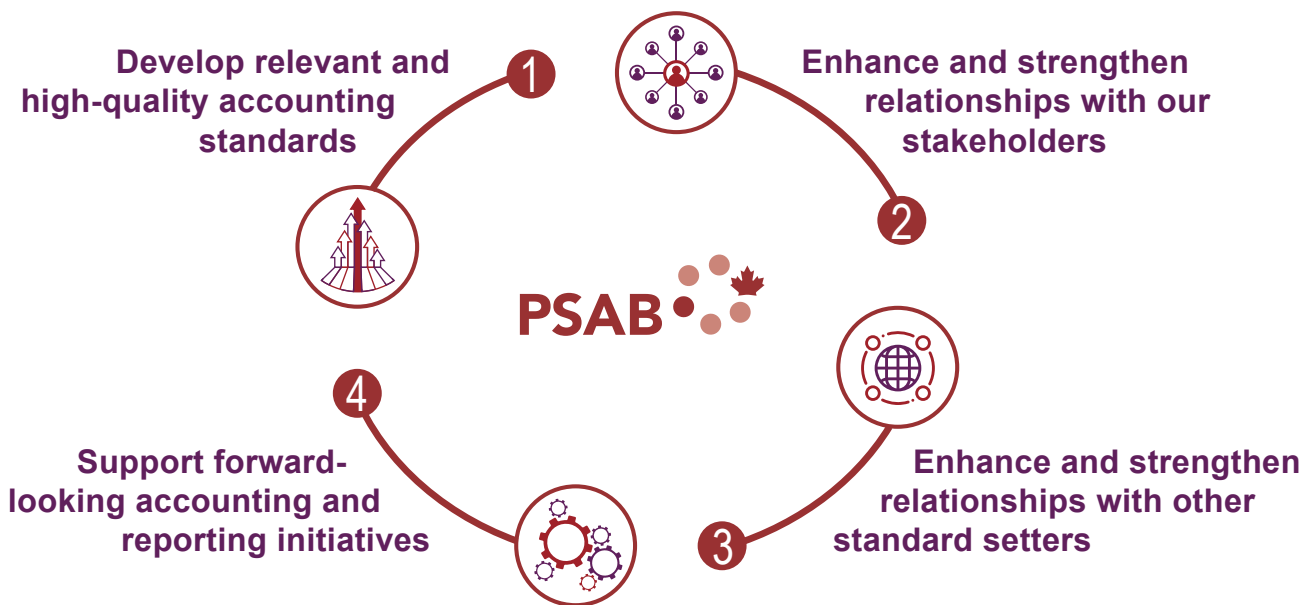
In various recent consultations, PSAB indicated it would publicly consult stakeholders on project priorities for its future Technical Agenda. Now that it has approved its [2022-2027 Strategic Plan](#), the Board seeks your input to determine the project priorities it should take on with its residual resources. This will fulfill the strategies you helped the Board to frame.

Project/Activity	Strategic Plan 2022-27	Annual Plan 2022-23	Future Work Plan 2023-27
Conceptual Framework & Reporting Model	✓	✓	
Employee Benefits	✓	✓	
Government-Not-for-Profit (GNFP) Strategy Implementation	✓	✓	
GNFP Project		✓	
Public Sector Accounting Discussion Group	✓	✓	
Indigenous Advisory Committee	✓	✓	
PSAB Technical Advisory Committee	✓	✓	
Public Sector Sustainability & Natural Resources (IPSASB Consultations)	✓	✓	
Residual PSAB Resources			✓

This chart illustrates how PSAB’s Future Work Plan Consultation fits with its other initiatives:



With its residual resources, PSAB proposes to consider only those projects in the 2022-2027 period that contribute to executing the four strategies set out in its Strategic Plan, as shown below. Most projects are associated with Strategy 1.



The Proposed Topics

It is essential PSAB hears your views on the proposed projects so that it can best address your needs and priorities. The Board proposes the following project topics in no particular order:

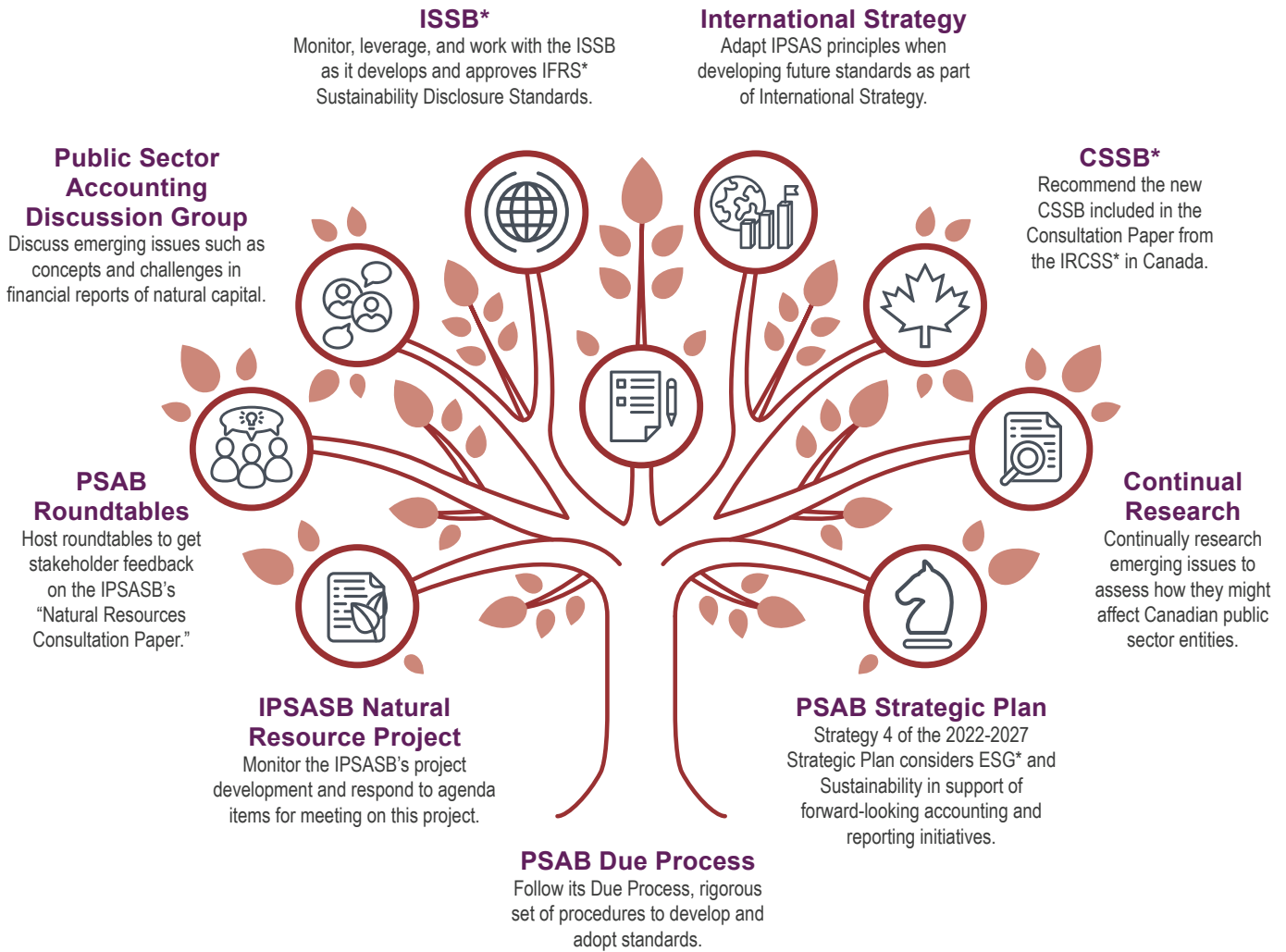
- Major projects
 - Intangibles
 - Impairment of Assets
 - Amendment to the Introduction to Public Sector Accounting Standards
- Minor projects
 - Update to ACCOUNTING CHANGES, Section PS 2120
 - Inventories
 - Update STATEMENT OF RECOMMENDED PRACTICE (SORP) 1, Financial Statement Discussion and Analysis (FSD&A)

Why Is Sustainability Not a Proposed Topic?

Momentum for enhanced sustainability reporting has developed significantly over the past few years. Stakeholders demand public sector entities be more transparent about risks (e.g., climate change) and opportunities they face in continuing to deliver services. Awareness has grown about the importance of natural capital in delivering services and sustaining the world.

PSAB is already committed to sustainability, so it is not a proposed topic for consultation. In Strategy 4 of its [2022-2027 Strategic Plan](#), the Board included “support forward-looking accounting and reporting initiatives.” Sustainability is one of those initiatives. In its [2022-2023 Annual Plan](#), the Board has allocated resources to sustainability work. And, as illustrated below, sustainability is an area in which the Board hopes to further engage during 2022-2027 period through:

- collaborating with the new [Canadian Sustainability Standards Board](#) (CSSB);
- providing Canadian-focused feedback to the International Public Sector Accounting Standards Board’s (IPSASB) [Natural Resources project](#); and
- providing Canadian-focused feedback to the IPSASB’s Consultation Paper “[Advancing Public Sector Sustainability Reporting](#).”



* **ISSB:** International Sustainability Standards Board
IFRS: International Financial Reporting Standards
CSSB: Canadian Sustainability Standards Board
IRCSS: Independent Review Committee of Standards Setting
ESG: Environmental, Sustainability, and Governance

Consultation Overview

After extensive consultation with its stakeholders, PSAB approved its 2022-2027 Strategic Plan. Over this period, as some of the Board's current projects are completed, resources will become available. This will allow the Board to add new projects to its Technical Agenda to help fulfill the Strategic Plan.

In preparation, PSAB is seeking input on the new projects it believes best meet its strategies to gauge stakeholder support.

When it prioritized the proposed projects in this Consultation Paper, PSAB considered:

- stakeholder feedback obtained during development of the Strategic Plan;
- consistency with the strategies in the Strategic Plan;
- availability of staff and resources;
- pervasiveness of the issue; and
- convergence potential with International Public Sector Accounting Standards (IPSAS) in accordance with [PSAB's International Strategy](#).

The new projects may not be completed during the 2022-2027 period, so they will be the first priority for PSAB's resources during the next strategic period. This Consultation Paper seeks your input in determining what is most important to you in delivering the 2022-2027 Strategic Plan. Your input will help the Board decide which projects to add to its Technical Agenda when resources become available.

PSAB will consider a mix of major and minor projects, according to its relative priorities and available resources.

What are major projects?

Major projects are those that are expected to require a consultation paper phase, in addition to the exposure draft and final standard development phases the [due process](#) requires. A consultation paper is generally necessary for projects where:

- PSAB has little guidance to use as a basis for its project;
- the topic is complex; or
- more than one phase is needed to address all issues.

Undertaking a consultation paper increases the overall resources required over the life of the project and extends the development period. Projects requiring a consultation paper need considerably more resources at each phase as the material may be developed independently, rather than drawing on existing guidance. Complex or controversial topics that require considerable outreach and consensus-building also have the potential to extend the life of a project.

Major projects include new topics on which Public Sector Accounting Standards (PSAS) are silent, new SORP topics and major amendments to existing PSAS and SORPs.

What are minor projects?

Minor projects are those that can proceed directly to the exposure draft phase. While this reduces the overall time to complete the project, the nature of the project is distinct from major (more resource-intensive) projects as there is a basis on which PSAB can develop its guidance. Therefore, the project requires fewer resources to research issues and options.

Minor projects include new topics or narrow-scope amendments to an existing standard, guideline or SORP.

Why These Proposed Projects?

The starting point

A list of projects PSAB considered in drafting this Consultation Paper was derived from:

- (a) feedback from stakeholders to the Strategic Plan;
- (b) projects the Board identified as important;
- (c) projects identified from previous survey and stakeholder feedback;
- (d) projects currently underway by other standard setters (not covered by (a), (b) and (c) above);
- (e) gaps identified between the CPA Canada Public Sector Accounting (PSA) Handbook and the standards issued by the IPSASB;
- (f) projects stakeholders identified in response to the 2020 Exposure Drafts for the [Concepts Underlying Financial Performance](#) project; and
- (g) emerging issues and topics raised and discussed with the [Public Sector Accounting Discussion Group](#).

How PSAB evaluates project topics

In conjunction with its [Strategic Plan](#), [International Strategy](#) and GNFP Strategy, PSAB evaluates the merits of adding a potential item to its agenda based on financial statements users' needs. The Board also considers whether establishing a project on the topic will do the following:

- **Promote improvements in accountability:** Providing information that helps users assess a public sector entity's stewardship of the resources entrusted to it, including how resources have been applied and consumed, has accountability value. Given a public sector entity's many objectives, accountability value of the information is also enhanced when it includes both financial and non-financial information. For example, accountability for health-care expenses is enhanced when supplemented by other non-financial information, such as changes in wait times.
- **Add to usefulness of current information:** The value and use of accounting and financial reporting lies in the information it provides. Financial reporting communicates information to users. To do so effectively, the information should be relevant to the users' needs and should meet the basic qualitative characteristics of faithful representation, comparability and understandability. Information's usefulness is enhanced when informs evaluations of public resource management and assessments of compliance with legislative authorities.

- **Address a pervasive issue:** When several stakeholders treat transactions and events inconsistently, despite an apparent similarity in the fact set, strongly indicates the issue is pervasive. If diversity in practice prevails without guidance from PSAB, this can detract from the accountability value and usefulness of financial reports.
- **Involve a complex issue:** Some issues are less complicated than others and would likely require fewer staff, volunteers and financial resources to complete the project. In assessing complexity, consideration needs to be given to:
 - the nature and knowledge of the topic (e.g., whether other standard setters or authoritative research bodies have addressed this issue);
 - the availability of PSAB agenda time, staff and volunteer subject-matter experts; and
 - the amount of time needed to complete the project.
- **Provide benefits that exceed the costs:** The benefits of any standard should exceed the cost of providing the information considering that the benefits often accrue to different parties from those incurring the costs. Transitional or one-time costs need to be considered separately from ongoing costs. For example, when accounting for tangible capital assets for the first time, significant transitional costs arise from inventorying and valuation. However, ongoing costs are associated with managing betterments and impairments. On the other hand, improvements in understanding costs of providing goods and services and asset management planning reflect the ongoing benefits of such information.
- **Involve a trade-off of factors:** When assessing these factors, a trade-off is often necessary. For example, there may be trade-off between accountability value and the complexity of the issue. The aim is, generally, to strike an appropriate balance among the factors.

PSAB proposed projects

The resources available dictate the number of major and minor projects.

The constraint driving the resources available to take on major projects relates to existing projects and commitments to planned initiatives as outlined above. While it may be possible for PSAB to add more minor projects by reducing the number of major projects, the Board concluded this was not in the public interest. Public sector constituents are best served when the Board addresses the most significant reporting issues, which are generally major projects.

Major projects

PSAB proposes to start these major projects during the 2022-2027 Strategic Plan period:

1. Intangibles: In accordance with the [International Strategy](#), leverage IPSAS 31, *Intangible Assets*. Consider addressing cloud computing. Public sector-specific intangibles could be a possible separate future project.

Reasons:

- (a) Consistent with Strategy 1: Develop relevant and high-quality accounting standards.
- (b) Input on the PUBLIC SECTOR GUIDELINE (PSG) 8, *Purchased Intangibles*, indicated it is a priority topic for stakeholders.
- (c) CPA Canada's [Foresight](#) initiative indicated the value of intangibles is increasingly important for the economy and data is an overlooked (intangible) asset.
- (d) Some intangibles, like data, represent an emerging issue and PSAB needs basic intangibles principles in place to address the issue.
- (e) Represents a gap in Canadian public sector generally accepted accounting principles (GAAP).
- (f) Allows the Board to leverage an existing IPSAS principle in accordance with its International Strategy.

2. Impairment of assets: In accordance with the [International Strategy](#), leverage the principles of IPSAS 21, *Impairment of Non-Cash Generating Assets*, and IPSAS 26, *Impairment of Cash Generating Assets*.

Reasons:

- (a) Consistent with Strategy 1: Develop relevant and high-quality accounting standards.
- (b) PSAB approved the project proposal in June 2012 but deferred the project to address other priorities.
- (c) Represents a gap in Canadian public sector GAAP.
- (d) Allows the Board to use two existing related sets of IPSAS principles in accordance with its International Strategy.

3. Select amendments to the Introduction to PSAS: Address definition of “Other Government Organization” in contrast with the definition of “government not-for-profit organization”. Consider GAAP to be used by smaller government business entities. Not a complete re-opening of all aspects of the Introduction.

Reasons:

- (a) Consistent with Strategy 1: Develop relevant and high-quality accounting standards.
- (b) Responsive to issues stakeholders raised.

Minor projects

PSAB proposes to start these minor projects during the 2022-27 Strategic Plan period:

1. Amend Section PS 2120 to:

- (a) align description of prospective application with other standard setters; and
- (b) consider amendments to guidance for when there is a change in estimate for specific transactions.

Reasons:

- (a) Stakeholders raise the same issue for every PSAB standard-setting project to develop transitional provisions: The description of prospective application in Section PS 2120 is more complex and burdensome than that used by other standard setters.
- (b) Stakeholders have raised submissions to the Public Sector Accounting Discussion Group about the transitional provisions in specific standards because of confusion over how to understand prospective application.
- (c) The standard, released in 1997, is out of date on this issue.

2. Inventories: Leverage IPSAS 12, *Inventories*, as a straightforward way to show how PSAB will implement its [International Strategy](#).

Reasons:

- (a) Shows how PSAB will apply its International Strategy to alleviate confusion over its process and intent.
- (b) Represents a gap in Canadian public sector GAAP.

3. Amend FINANCIAL STATEMENT DISCUSSION AND ANALYSIS, SORP-1:

- (a) Amend SORP-1 to be consistent with the new Conceptual Framework (e.g., qualitative characteristics).
- (b) For entities that provide this information, consider including basic parameters for how to include high-level information in an FSD&A report on reconciliation with Indigenous peoples and implementation of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).

Reasons:

- (a) Amend the SORP to be consistent with the requirements for the financial statements on which FSD&A reports.
- (b) Consistent with Strategic Objective 1: Develop relevant and high-quality accounting standards. SORPs are not part of GAAP but remain an important part of PSAB's reporting guidance.
- (c) Consistent with Strategic Objective 2: Enhance and strengthen relationships with our stakeholders (e.g., increase engagement with Indigenous governments).
- (d) Could help address Indigenous governments' comments received on accountability reporting in the public sector during consultation on the new Conceptual Framework.
- (e) Allows for preliminary exploration of the parameters that could represent best practices for including information in an FSD&A report on reconciliation with Indigenous peoples and implementation of UNDRIP.

Responding to This Consultation

Responses to this Consultation Paper will inform PSAB's thinking on which projects it should add to its Technical Agenda to meet its strategic objectives and bring the greatest public interest benefits.

Questions for respondents

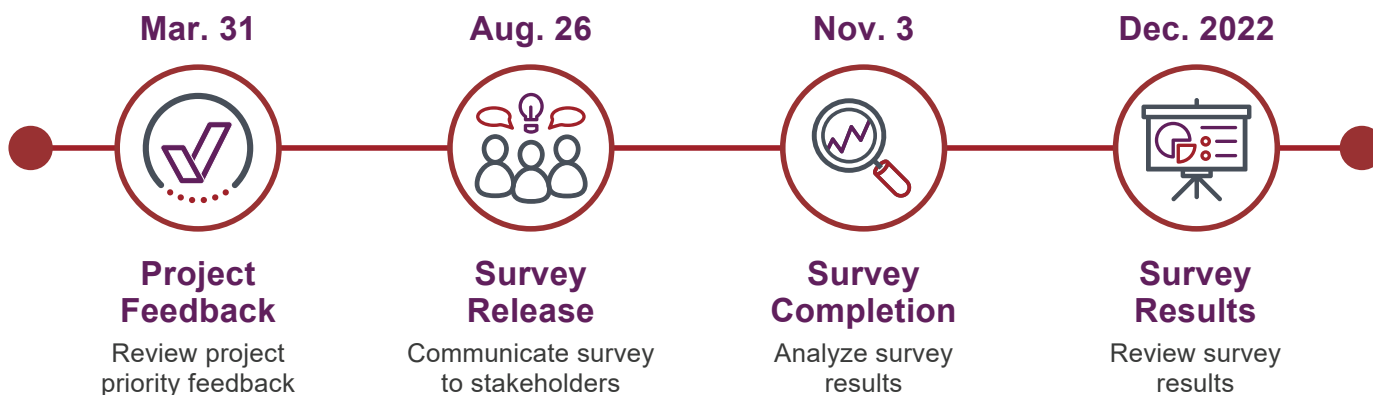
1. Rank PSAB's top three major projects for you (1 = highest priority).
2. Rank PSAB's top three minor projects for you (1 = highest priority).
3. Do you agree the major projects PSAB proposes will help fulfill its strategic objectives? If not, which major project(s) would you substitute, and why?
4. Do you agree the minor projects PSAB proposes will help fulfill its strategic objectives? If not, which minor project(s) would you substitute, and why?
5. Do you have any other comments for PSAB?

How to comment

Respondents are asked to submit their comments via [PSAB's Connect.FRASCanada.ca page](https://connect.frascanada.ca) for the 2022 PSAB Future Workplan Consultation project.

PSAB will carefully consider all feedback and discuss it after the comment period has ended.

Please participate in this consultation by the comment due date of **November 3, 2022**.



Appendix A – Requirements of PSAB’s Due Process

PSAB’s Due Process notes the following regarding setting priorities for its work:

Setting the priorities

36. 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.
37. 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

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