Conseil sur la comptabilité dans le secteur public

Modifications de portée limitée : Mise à jour de l'énoncé PR-1 à des fins d'uniformité

Réponses à l'exposé-sondage

Août 2025

CCSP
Conseil sur la comptabilité dans le secteur public

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Ontario's response to PSAB's Exposure Draft: Narrow-scope Amendment: SORP-1 Consistency Updates

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Assistant Deputy Minister and Provincial Controller

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Following is the Province of Ontario's response to PSAB's Exposure Draft on Narrow-scope Amendment: SORP-1 Consistency Updates

1. Do you agree with the proposed narrow-scope amendments outlined in this Exposure Draft?

Ontario supports updating SORP-1 to reflect the new terms and concepts in the recently introduced Conceptual Framework and Reporting Model. We also recognize that this Exposure Draft is a narrow-scope amendment, so changes are meant to be largely editorial in nature.

While we generally support the amendments proposed, we do have the following comments and suggestions:

- Paragraph 2 as proposed reads as being overly prescriptive indicating all public sector entities that prepare GPFS are intended (i.e. meant) to apply this SORP. As PSAB is aware, this and all SORPs are optional. We propose the wording "is intended to apply to" be replaced with "may be applied by" and "all" be removed.

- We recommend in the explanation of the term "Report" in paragraph 3 to include after annual summary report, "(for example, public accounts or annual report)". Including examples will make the guidance clearer and more user friendly. The term annual report is already referred to in SORP-1 in paragraph 18.

- We do have concern regarding the inclusion and the use of the word “sustainability” throughout the SORP. For example, paragraph 21 indicates “Information is relevant by its nature when it can inform users’ evaluation of an entity’s accountability for its governance, performance, stewardship and sustainability”. Paragraph 80 and 81 (e) refer to “fiscal sustainability”, while paragraph 37 refers to “financial sustainability”. As PSAB is aware footnote 11 in Chapter 4, *Role of Financial Statements* indicates:

  > *"Sustainability" is a broad term and includes many aspects, such as environmental, social and economic. Financial sustainability is a component of economic sustainability. Financial sustainability describes an entity's ability to manage its financial and service commitments and its debt burden. It also describes how its debt burden could affect its service provision.*

  Currently paragraph 21, read in conjunction with paragraph 16, would suggest financial statement discussion and analysis should communicate information that can inform users’ evaluation of an entity’s accountability for its sustainability. Public sector entities are not required to prepare sustainability reporting (i.e. reporting covering ESG). PSAB has issued no guidance on sustainability reporting. Public sector entities should not be providing FSD&A on sustainability matters not covered in its financial statements. This SORP should not be suggesting public sector entities demonstrate accountability for the broader term sustainability, in the FSD&A. PSAB should be clear that SORP-1 is discussing only financial sustainability including in paragraph 21, paragraph 80 and 81, and throughout the SORP.

- Paragraph 29B is a description of materiality in the content of the FSD&A. The wording is largely consistent with paragraph .40 in Chapter 7, *Financial Statement Information: Qualitative Characteristics and Related Consideration*s relative to materiality for financial statements. What should be addressed is a discussion of how materiality should be applied to FSD&A, and how this will differ from financial statements. Examples of factors to be considered should be provided. A discussion should also be provided as to how materiality differs from both the term “significant” used throughout the SORP for example in paragraph 30 (b) (ii) and (iii); and “major” used in paragraph 36. Clear explanations of these terms will allow for consistent and appropriate implementation of this SORP.

- Paragraph 29C indicates “The FSD&A would consider prudence in determining the nature and extent of estimates, forward-looking statements, and analysis included in the report, …”. Further clarification should be provided as to whether PSAB is referring to estimates made for financial statements purposes and discussed in the FSD&A, or estimates made in the FSD&A. Furthermore, clarification should be provided as to whether PSAB is referring to forward-looking discussion or forward-looking financial statements, when it mentions forward-looking statements in relation to the FSD&A. Clarity will allow for the SORP to be better applied.

- We recommend paragraphs 60 and 61 be updated to refer to long-term “financial” liabilities, as non-financial liabilities may also be long-term in nature and are being addressed separately in paragraphs 62 and 62A.

- Paragraph 62A should be clear that such information on non-financial liabilities in the FSD&A is not meant to be a repetition of the disclosure in the financial statements required by Section PS 1202.102 which indicates “Financial statements should disclose adequate information about the nature and terms of an entity's non-financial liabilities”.

- Paragraph 79 (c) refers to the expenditure basis of accounting. Highlight Summary No. 24 issued in August 2007 indicates “Throughout the Handbook, references to the expenditure basis of accounting have been removed and the names of the financial statement themselves have been revised to reflect those contained in FINANCIAL STATEMENT PRESENTATION, Section PS 1200”. This reference should be removed or at least explained.

- We recommend in Appendix A to change “Cash flow statement” to “Statement of cash flow” to be consistent with the naming of other statements in the Appendix and to be consistent with Section PS 1202, *Financial Statement Presentation*.

2. Do you agree that the proposed narrow-scope amendments achieve the objective of ensuring consistency with the new Conceptual Framework and Reporting Model? If not, what further changes are required?

Ontario agrees that subject to the prior comments in response to question 1, the amendments should achieve consistency with the new Conceptual Framework and Reporting Model.

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.

Ministry of Finance
Provincial Comptroller's Office
2350 Albert St
Regina, SK S4P 4A6

July 10, 2025

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 the Narrow-scope Amendment: SORP-1 Consistency Updates.

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

Questions

1. **Do you agree with the proposed narrow-scope amendments outlined in this Exposure Draft?**

   Yes, we have no issues with these amendments.

2. **Do you agree that the proposed narrow-scope amendments achieve the objective of ensuring consistency with the new Conceptual Framework and Reporting Model? If not, what further changes are required?**

   We believe that similar amendments should be made to SORP-4 Indicators of Financial Condition to address inconsistencies with the new Conceptual Framework and Reporting Model. Amendments would include:

   - The differentiation between financial and non-financial liabilities and the calculation of net financial assets or net financial liabilities (formerly net debt);
   - Updated sustainability and vulnerability indicators to align with the new Reporting Model; and
   - Terminology updates to reflect the diversity in entities that apply PSAS, including the replacement of references to "governments" with "public sector entities".

   Further, we believe that amendments should be made to SORP-2 Public Performance Reporting and SORP-4 to update the qualitative characteristics of financial reporting to align with the new Conceptual Framework and SORP-1.

> Section 4 of SORP-4 suggests reading this SORP in conjunction with SORP-1 and SORP-2. Currently, both SORP-2 and SORP-4 are inconsistent with the SORP-1 Exposure Draft and the new Conceptual Framework and Reporting Model.

Please contact Eryn Enns with any questions at 306-787-9253.

Sincerely,

Chris Bayda, FCPA, FCA
Provincial Comptroller

cc: Jane Borland, Assistant Provincial Comptroller, Provincial Comptroller's Office, Ministry of Finance
Tamara Stocker, Director, Provincial Comptroller's Office, Ministry of Finance
Eryn Enns, Senior Analyst, Provincial Comptroller's Office, Ministry of Finance

Tanmay Tillu
Kamloops, BC
tanmay_tillu@outlook.com
22nd July 2025

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

RE: Comments on PSAB Exposure Draft – Narrow-scope Amendment: SORP-1 Consistency Updates

Dear Mr. Puskaric,

I appreciate the opportunity to comment on the Exposure Draft: Narrow-scope Amendment – SORP-1 Consistency Updates.

I work in public accounting at BDO Canada LLP in Kamloops, BC, primarily with First Nations governments and Indigenous organizations. The views expressed in this letter are solely my own and **do not** represent the views of BDO Canada LLP. My comments reflect the perspective of many First Nations finance teams I work with.

Agreement with the Proposed Amendments

I agree with both questions posed in the Exposure Draft:

1. Yes, I agree with the proposed narrow-scope amendments. Aligning SORP-1 with the new Conceptual Framework and Reporting Model is appropriate and will improve consistency in financial reporting.
2. Yes, I agree that the proposed amendments will achieve the objective of ensuring consistency. The updated terminology and additional guidance (e.g., net financial liabilities, accumulated remeasurement gains/losses) are helpful.

2. First Nations Perspective on FSD&A (SORP-1)

General Adoption Considerations
First Nations governments generally adopt reporting practices when they benefit their primary users—funders such as Indigenous Services Canada (ISC), the First Nations Health Authority (FNHA), Canada Mortgage and Housing Corporation (CMHC), Provincial funding, and the First Nations Education Steering Committee (FNESC).

In my experience:

- Risk and Variance Analysis is Most Valuable. Explaining budget-to-actual variances and identifying key funding risks directly helps funders evaluate how programs are managed.
- FSD&A as a Community Transparency Tool. For First Nations, I recommend a "simplified" version of FSD&A, as there is little to no benefit in issuing a full FSD&A when reporting is primarily funder-driven. A simplified, plain-language FSD&A would still allow First Nations Councils and community members to better understand how their organization is operating and using funds, increasing trust in leadership.

For example, this FSD&A-simplified could explain why housing program deficits increased or how economic development revenues were reinvested in education programs—something that the financial statements alone may not clearly convey.

Examples Specific to First Nations

1. Taxation-Equivalent Funding
   Some First Nations receive payments in lieu of taxation when infrastructure, such as Canadian Pacific Railway tracks or utility corridors, passes through their land. A clear analysis section should explain whether such payments are restricted for specific community purposes or used to support general operations.
2. Capital Project Reporting
   When a First Nation receives ISC or CMHC funding to build housing or water treatment facilities, community members benefit from an FSD&A narrative explaining how much funding was received, what has been spent, and whether additional funds will be needed.

3. Many First Nations have a mix of transfer funding and own-source revenues (such as leases, gaming, or economic development). Highlighting this balance in FSD&A could help community members understand how their Nation is strengthening financial independence over time.

4. Recommendation to Encourage Adoption

While I agree with the amendments, I encourage PSAB to explicitly state that a scaled-back FSD&A is acceptable for small governments and First Nations. Smaller public sector finance teams, including those in First Nations governments, are often resource-constrained, and they may be hesitant to prepare a full FSD&A if they believe it requires extensive trend analysis or cash flow modeling.

A short-form FSD&A focused on:

- Budget vs actual variances (1 table)
- Key risks, includes changes in funding sources (1 paragraph)
- Major capital projects and their funding sources (1 paragraph)

…would still align with SORP-1 principles while being realistic for First Nations to adopt. Explicitly stating that partial adoption is acceptable would encourage more First Nations to use these tools to improve transparency for both funders and community members.

4. Conclusion

Many First Nations have longstanding governance and accountability traditions rooted in stewardship and community consultation. Aligning FSD&A with these values could further encourage adoption

I support PSAB's efforts to improve consistency in public sector financial reporting and believe FSD&A, even in a simplified form, would be highly beneficial for First Nations governments. It has the potential to build greater accountability to funders and improve understanding among community members about how their Nation's resources are managed.

Thank you for considering these comments. Please feel free to contact me if you require further clarification.

Sincerely,

Tanmay Tillu
Kamloops, BC
tanmay_tillu@outlook.com

July 24, 2024 514869

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

mpuskaric@psabcanada.ca

Dear Michael Puskaric:

RE: Exposure Draft: Narrow-scope Amendment: SORP-1 Consistency Updates

Thank you for the opportunity to provide comments on the Exposure Draft titled "Narrow-scope Amendment: SORP-1 Consistency Updates". The views expressed in this letter reflect the views of the Government of the Province of British Columbia, including central agencies, ministries and entities consolidated into the British Columbia Summary Financial Statements. The Summary Financial Statements of the Province are prepared in accordance with Canadian Public Sector Accounting Board (PSAB) standards.

We agree with the changes to SORP-1 to ensure it is consistent with the new Conceptual Framework and Reporting Model. We also agree that charts, graphs and ratios are an appropriate level of detail that encourages a more thorough understanding of the information provided. As this document is a statement of recommended practices that is used by all public sector entities, we recommend expanding the guidance to ensure professional judgement is applied to meet the needs of users. Preparers should apply their professional judgement when defining significant trends to ensure it is consistent for each individual entity as well as for consolidated entities, such as the Summary Financial Statements for each jurisdiction.

Responses to specific questions posed in the exposure draft are attached. Should the Public Sector Accounting Standards Board have any comments or questions, please contact me at 778-698-7768 or by e-mail: Nicole.Wright@gov.bc.ca, or Diane Lianga, Senior Executive Director, Financial Reporting and Advisory Services Branch, at 778-698-5428 or by e-mail: Diane.Lianga@gov.bc.ca.

On behalf of the Government of British Columbia

Sincerely,

Nicole Wright, CPA, CMA
Comptroller General
Province of British Columbia, Canada
Encl.

cc: Sheila Dodds, CPA, CA, CIA
Acting Auditor General
Province of British Columbia

Diane Lianga, CPA, CGA
Chief Accountant and Senior Executive Director
Financial Reporting and Advisory Services
Office of the Comptroller General

Questions:

1.) Do you agree with the proposed narrow-scope amendments outlined in this Exposure Draft?

The proposed narrow-scope amendments align with the upcoming changes in the Conceptual Framework and Reporting Model. Adding in the suggested practices for each revised component - non-financial liabilities, non-financial assets, net financial assets/liabilities, net assets/liabilities - ensures that all public sector entities have sufficient, consistent guidance to follow.

We agree with the consistency updates changing the wording for "governments" to "public sector entity".

2.) Do you agree that the proposed narrow-scope amendments achieve the objective of ensuring consistency with the new Conceptual Framework and Reporting Model? If not, what further changes are required?

We agree that the proposed narrow-scope amendments achieve the objective of ensuring consistency with the new Conceptual Framework and Reporting Model.

However, we recommend the following items be reviewed to ensure that there is consistency across public sector entities and that the Financial Statement Discussion and Analysis (FSD&A) is understandable for all levels of financial statement users:

Defining significant trends:

We recommend reviewing and defining significant trends. This would ensure consistency and comparability across public sector entities. For example, by defining the number of years over which a significant trend would be displayed in a chart, graph or ratio, would give users comparable information across public sector entities.

Clarifying Paragraph 67(A):

67A - An analysis of unrealized changes in assets or liabilities, which are recognized in the accumulated remeasurement gains and losses component of net assets (net liabilities), provides users with information relating to changes in economic conditions not directly controlled by the entity and are less likely to be replicable. This is relevant in assessing the entity's financial performance.

We recommend revising this paragraph as it is not currently useful to financial statement users. Public sector entities already publish a Statement of Remeasurement Gains and Losses that users of the financial statements can review to understand the changes in accumulated remeasurement gains (losses) during the year.

We also recommend removing "*This is relevant in assessing the entity's financial performance.*" from this paragraph because the accumulated remeasurement gains and loss balance is not included in the Statement of Operations therefore is not relevance in assessing the entity's financial performance.

Surplus (Deficit)

We recommend revising the title in between Paragraph 77/78 as well as the wording in paragraph 78 to "Annual Surplus (Deficit)" to avoid confusion with accumulated surplus (deficit).

Alberta Treasury Board and Finance

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July 24, 2025

Mr. Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
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Narrow-scope Amendment: SORP-1 Consistency Updates

Thank you for the opportunity to comment. Consistent application of the terminology and principles of the new conceptual framework and the reporting changes of PS1202 is very important to the Statements of Recommended Practice (SORP). The proposed narrow-scope amendments for SORP-1 are reasonable.

In addition to our comments to the specific questions reflected in the attached Appendix, we recommend PSAB also consider updating other SORPs in the future for improved alignment.

Sincerely,

Dan Stadlwieser

Dan Stadlwieser
Controller

Attachment

Question 1: Do you agree with the proposed narrow-scope amendments outlined in this Exposure Draft?

Agreed.

The proposed narrow-scope amendments represent a timely and necessary update to SORP-1, aligning it more closely with the updated Conceptual Framework and PS 1202 Financial statement presentation standards. The amendments strengthen the guidance around Financial Statement Discussion and Analysis (FSD&A) by emphasizing qualitative characteristics, enhancing risk disclosures, and expanding variance and trend analysis.

Question 2: Do you agree that the proposed narrow-scope amendments achieve the objective of ensuring consistency with the new Conceptual Framework and Reporting Model? If not, what further changes are required?

Overall, we agree that the proposed amendments generally support consistency with the new Conceptual Framework and Reporting Model.

In our view, the reference to certain terms used in paragraph 61 under the Financial Liabilities section of Assessment of trends is overly broad (pages 12 and 13), specifically:

- Long term liabilities (in paragraph 61) – to more precisely align with the section's purpose and the Conceptual Framework's definitions, we suggest using "long-term debt" or "long-term financial liabilities".
- Deferred revenue (in paragraph 61(e)) – certain deferred revenue, such as capital grants or P3 obligations arising from a user pay model, are non-financial liabilities, and this distinction should be made.

Additionally, we suggest the following to ensure alignment and practical application within the Canadian public sector environment under the new PSAS framework:

- Greater emphasis on user perspective: While the draft references the "users" extensively, additional guidance on identifying primary users and tailoring the narrative to their needs would be valuable. For example, clarifying the different needs of financially sophisticated users versus the general public users could help enhance the focus and understandability.
- Integration with budget reporting: Given the importance of budget-to-actual comparisons, enhanced linkage guidance between FSD&A and budget documentation could improve transparency and align with public sector reporting principles.
- Clearer guidance on digital and graphical presentation: The draft notes the usefulness and potential pitfalls of charts and graphics. Developing best practice recommendations or examples for graphical presentation would help entities avoid misleading visualizations.
- Address materiality considerations in FSD&A disclosures: Although materiality is mentioned, elaborating on materiality thresholds specific to FSD&A could help preparers determine the appropriate scope and depth of disclosures. We recommend the Exposure Draft incorporate more explicit guidance on applying the new framework's materiality principles and tailoring disclosures to user needs and improve relevance.

- Forward-looking information and prudence: Expanding on the treatment of forward-looking statements and the application of prudence could reinforce balanced and unbiased disclosure of uncertainties. Illustrative examples aligned with the new conceptual framework and reporting model could improve consistency and comparability.

PROVINCIAL AUDITOR
of Saskatchewan

July 23, 2025

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

Dear M. Puskaric:

Re: May 2025 Exposure Draft - Narrow-scope Amendment: SORP-1 Consistency Updates

We support the proposed changes as outlined in the exposure draft - Narrow-scope Amendment: SORP-1 Consistency Update. The attachment sets out our responses to the specific questions listed in the exposure draft.

Yours truly,

Tara Clemett, CPA, CA, CISA
Provincial Auditor

LL/MC
Attachment

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	Question	Response
1	Do you agree with the proposed narrow-scope amendments outlined in this Exposure Draft?	Yes – We agree with the proposed narrow-scope amendments, however we suggest the following additional minor amendments: - In paragraph 9, we suggest using expenses versus expenditures in the second sentence since public sector financial statements that are prepared using Canadian Public Sector Accounting Standards are expense based and not expenditure based - Paragraph 29B indicates "The FSDA would prioritize" however, we suggest this should be "The public sector entity would prioritize…" The FSD&A itself is not a person or entity and therefore would not be taking actions such as prioritizing. - Paragraph 29C indicates "The FSD&A would consider" however, similar to above, we suggest that this should be "The public sector entity would consider…" - In paragraph 62A(e), "a non-financial assets" should be "a non-financial asset." - In paragraph 67, "net financial liabilities is growing" should be "net financial liabilities are growing."
2	Do you agree that the proposed narrow-scope amendments achieve the objective of ensuring consistency with the new Conceptual Framework and Reporting Model? If not, what further changes are required?	Yes – We agree that the proposed narrow-scope amendments achieve the objective of ensuring consistency with the new Conceptual Framework and Reporting Model. We encourage PSAB to conduct a timely review of the other SORPs for consistency with the new Conceptual Framework and Reporting Model so that any amendments necessary are made prior to the effective date of the new Conceptual Framework and Reporting Model.

Wayne Morgan, PhD, CPA, CA, CISA
Colin Semotiuk, CPA, CA

July 24, 2025

Michael Puskaric, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
Toronto, ON

Dear Michael Puskaric,

Our comments on *Narrow-scope amendment: SORP-1 Consistency Updates* Exposure Draft are below. Throughout our letter, "CF" means Conceptual Framework and "RM" means Reporting Model.

1. *Do you agree with the proposed narrow-scope amendments outline in this Exposure Draft?*

   Overall, we agree with the proposed amendments. However, we have several comments and suggestions and areas we do not agree with, noted below.

   Paragraph 03: We suggest that the report definition should include the financial statement discussion and analysis. E.g. ""Report" refers to the annual summary report, <u>including the financial statement discussion and analysis</u>, published by . . ." This will make it clearer what information is included in the "Report."

   Paragraph 15: In some public sector situations, a legal "public sector entity" does not exist, such as a ministry, or the report may include several public sector entities. For this reason, we suggest that the last sentence of paragraph 15 be updated as follows, ". . . to ensure that users are aware of who is responsible and that the public sector entity <u>or those charged with governance</u> has approved the document." Alternatively, we suggest that the definition of "Report" in paragraph 3 state "A Report may include the financial statements and FSD&A for more than one entity. The term "public sector entity" in this document is intended to refer to one or more entities in the Report. They may also not be stand-alone entities but segments or other units of a public sector entity for which Reports are prepared for accountability purposes."

   Paragraph 16: We note that these qualitative characteristics are the same as for financial statements as described in CF7.03. We suggest they be in the same order as in the CF7.03 to not imply a different order of importance. We also suggest PSAB consider whether other qualitative characteristics of FSD&A may be relevant. For example, SORP-2 uses validity as well, and SORP-3.15 and SORP-4.13 use different ones as well. We suggest that PSAB broadly consider two other factors:

- Whether the FSD&A is primarily a document explaining the financial statements, or whether the FSD&A is primarily a report back on the public sector entity's budget with the actuals included. For example, a government program may be immaterial to the financial statements and not disclosed but very relevant to particular users because it was included in the budget. It is unclear, given the qualitative characteristics but also paragraph 29B, whether the FSD&A should include discussion of that specific program mentioned in the budget but not in the financial statements.

- We note that the conceptual framework clearly now includes Indigenous matters. There is no mention of specific Indigenous matters in the SORP-1. PSAB should consider whether specific guidance on FSD&A for all public sector entities with respect to Indigenous matters, or when the reporting entity is an Indigenous government, should be added to SORP-1. For example, as we note below regarding unrecognized natural resources, such information may be important to include.

Paragraph 21: The word "stewardship" is used here but then is not used elsewhere in the document. Stewardship is an important concept in the public sector. It is mentioned several places in the CF. PSAB should add a section to SORP-1 which explains requirements for how the stewardship part of the "story" is told in the FSD&A. We suggest a section with the title "Stewardship" be added after paragraph 15, as it flows from the Public Sector Entity Responsibility. We also suggest that sections be added that follow the four public interest objectives specific in CF 2.56: provision of public goods and services, resource reallocation, stewardship of public resources (as noted), and peace, order and good government. If these are public interest objectives specified in the CF, they should be in the FSD&A.

Paragraph 21: The word "sustainability" is used. We think this means "financial sustainability" as in paragraph 37, but it could mean environmental sustainability as in paragraph 46 reference to environmental master plans, or "fiscal sustainability" as in paragraph 80, or perhaps all three.

Paragraph 21: The word "correct" is being replaced with the word "revise." These words are not interchangeable. A correction indicates an error occurred, versus a revision implies further information was obtained and a calculation or estimate is updated. These have two significantly different implications, specifically in public sector financial statements where public funds are reported and the financial statements are used to hold those in charge of these funds to account. We are not opposed to add "revise" previous evaluations, but also suggest "correct" remain as it is important for the public to know when management has made corrections to financial statements or financial information.

Paragraphs 25 & 26B: We acknowledge that part of paragraph 25 has been replaced by paragraph 26B, however part of original paragraph 25 has been removed. We disagree with the modification(s) made, and suggest paragraph 25 simply be moved to paragraph 26B. Although "using the same methods" may make information verifiable, we also suggest that the method used may be inappropriate, and therefore make the information misleading or inappropriate. We also note that CF7.23 has a more expanded description of verifiability that should be included in paragraph 26B i.e. that verifiability can mean either the representation itself is verifiable, or the method used is verifiable. This opens the concept to include that something may be verifiable if a different method would get essentially the same result.

Paragraphs 27 & 28: No guidance is provided for changes in reporting policy. Guidance should be added for when an entity changes what it reports or how it reports it. When such changes occur the guidance should clearly explain and provide guidance that such changes should be explained by management and when management should provide a restatement, if necessary.

Paragraph 29A: We disagree that “Financial information is an economic good.” In our view, financial information is not priced, it is not sold, and it is free. Also, consumption by one person does not mean another person cannot consume it, and public sector entities do not prevent anyone from accessing it. We suggest that instead it read “Financial information is a public good.” The paragraph can still explain that financial information comes at a cost and provides benefits. If paragraph 29A is necessary to have in SORP-1, we question why PSAB does not have a specific requirement to disclose in financial statements the cost of preparation of the financial statements, and their assurance. Furthermore, no guidance is included regarding the users’ needs. We suggest that Related considerations should also specifically identify that financial reports should consider and include information to meet user’s needs. We also more generally suggest that the SORP include a separate section written from the perspective of a user: what should a user read in the FSD&A? What other knowledge should they have obtained, e.g. read the budget? What responsibilities or obligations does a user have when reading the FSD&A? What actions should they take upon reading the FSD&A? Fundamentally, PSAB should explain how the accountability cycle is improved if users take responsibility for reading the Report, and any actions after reading it.

Paragraph 33: Regarding graphs, PSAB could include some guidance on charts or graphs to make them potentially less misleading, such as starting graphs at (0,0) or having appropriate scaling such as same units (thousands, millions) as the financial statements.

Paragraphs 40-47: A lot of this information on risks and opportunities may overlap with disclosures in the financial statements, especially those under PS 3450. As well, it seems there are risks and opportunities reflected more in budget or fiscal plan documents, and these should probably be part of the “story” in the FSD&A. We also note these paragraphs are too financial focused and there are risks and opportunities associated with public sector expenditures and expenses that most users are probably more interested in and impact most users (such as education and health) rather than, say, hedging strategies as paragraph 45 notes. Information that translates expenses and expenditures into results achieved (such as performance measure information like SORP-2) is necessary, and SORP-1 should link to SORP-2.

Paragraph 49: It would be good if SORP-1 included more guidance on FSD&A preparation for when the scope and basis of the budget and financial statements are not the same. Also, the CF and RM guidance on when the budget can be updated and implications for FSD&A would be useful to expand upon. We also note the phrase “at the beginning of the year” may imply that the budget should be passed before the financial year begins.

Paragraph 61: This paragraph and others point to the use of ratios/indicators. PSAB should determine if SORP-4 should also be updated. For example, SORP-4.46 etc. refers to “net debt” but this may be outdated now. The indicator total assets, which was not reported before in PSAS, may also be a useful ratio and PSAB could explain its interpretation either in SORP-1 or SORP-4.

Paragraph 61: Regarding debt, information on the public sector entity’s debt retirement and management program may be a relevant part of the “story” and also a reference to SORP-4 vulnerability, flexibility and sustainability indicators is important. Some discussion of the use of Public, Private, Partnership’s (P3s) and the interest rate/debt servicing cost associated with P3s could be included.

Paragraph 61(e): Rather than “terms and conditions associated with the [deferred revenues] amounts” perhaps this reference should be to “performance obligations.”

Paragraph 62A: The reference to “unrecognized economic resource” is good, but a specific paragraph should be added that would require explanation of the nature of unrecognized economic resources of the public sector entity, their size and value, and stewardship. These could include natural resources. An important shift in the CF project was moving the prohibition on natural resources recognition to a standard, and also noting the basis for conclusions to PS 1202 that notes could be used to explain natural resources not recognized. We note that BC9.46 and BC.102 says the Conceptual Framework encourages the use of supplementation information, allowing financial statement preparers to provide information on the recognition exclusions in the notes or schedules on the resources excluded from recognition. The FSD&A may also be an important location, and guidance should be added to SORP-1 to require disclosing nature, size and value of unrecognized economic resources. We note this information is likely much more relevant than analysis of inventories of supplies and prepaids (paragraphs 65 and 66).

Paragraph 66A: This paragraph should have some guidance regarding FSD&A if an entity prepares the optional statement of change in net financial assets.

Paragraph 67A: This paragraph should better explain the “story” with unrealized gains and losses. How do they relate to accountability? Should users be concerned about large unrealized losses or not? As well, the phrase “not directly controlled” is unclear here: does that mean unrealized gains and losses have diminished accountability value? This terminology also risks confusing PSAB’s concept of control, because PSAS does not have a concept of “significant influence” which is what “not directly controlled” may mean. In addition, we are not sure why the sentence, “Providing significant explanations and a trend analysis . . .” was not also carried forward here from paragraph 62.

Paragraphs 73-79: Information on expenditure/expenses by object would be useful. We also note that what was achieved by the expenditure/expenses (SORP-2) should be included or linked to as part of the “story.”

Paragraph 73(b): We are unsure what "spending on the economy" means. It may be "spending within the economy."

Paragraph 79 (a): We are unsure what surplus (deficit) by function is? Is that segmented information? If so, expanded requirements for segmented information as part of FSD&A would be helpful.

Paragraph 79 (c): We are unsure what "expenditure basis of accounting" means. This paragraph may be referring to the "clean surplus" concept of accounting, but remeasurements in PSAS break that model. This could be worth explaining.

Paragraph 80: References or links to other SORPs that combine concepts of cash resources of the public sector entity with its sustainability, or even its going concern, a concept clearly in the CF now, would be useful.

In addition, guidance on when the FSD&A covers multiple public sector entities would be useful. Should it be segmented information? Or by entity?

2. *Do you agree that the proposed narrow-scope amendments achieve the objective of ensuring consistency with the new Conceptual Framework and Reporting Model? If not, what further changes are required?*

   In our view, the amendments only partially achieve the objective of ensuring consistency with the new Conceptual Framework and Reporting Model ("CF"). The amendments partially achieve a trivial (editorial) consistency with the new CF, but the new CF is about much more as it is a new conceptual foundation for public sector transparency and accountability. The CF project was a significant accomplishment and a FSD&A that is much more improved and integrated would help realize the potential of that accomplishment.

   In our view, PSAB should use this as an opportunity to re-examine all the SORPs, including the Introduction to Statements of Recommended Practice, and integrate these into PSAS itself, as requirements, given the importance to transparency and accountability. The ED explains that the "FSD&A tells the story" and that "additional information provided in a public sector entity's FSD&A is consistent with the financial statement information, *providing the context necessary to enhance the transparency and accountability, and the serve the Canadian public interest."* (emphasis added). This clearly states the importance of the SORPS and therefore it would better serve the public interest by going further than only making the consequential editorial changes proposed in the exposure draft. For example, PSAB could consider the following, in addition to the suggestions we have noted in Question 1:

   - Undertaking a proper project to update the SORPs and integrate them into PSAS as requirements. A "narrow-scope" project is insufficient for something in the public interest. We understand it was perhaps too much to update the SORPs as part of the

CF project itself, so as a “Part II” project was sensible. But the “narrow scope” proposals are too narrow in scope.

- Update all the SORPs, not just SORP-1.
- Expand guidance in the SORPS so they are internally consistent and consistent with the financial statements.
- Determine what assurance, if any, is appropriate
- Achieve more integrated reporting. If the financial statements are incomplete in “telling the story” and the FSD&A is necessary, then both should be reported together.

Thank you for the opportunity to comment.

Sincerely,

Wayne Morgan

Colin Semotiuk

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

24 July 2025

Michael Puskaric, CPA, CMA
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Public Sector Accounting Board
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RE: Exposure Draft – *Narrow-scope Amendment: SORP-1 Consistency Updates*

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,

Heather Miller, CPA, CMA
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 narrow-scope amendments outlined in this Exposure Draft?

OAG response:

Yes, overall, we agree with the majority of the proposed narrow-scope amendments outlined in this ED. We have outlined 9 items for consideration below:

1) In paragraph 9, consider making the following editorial change: “The information needed to aid in the understanding and assessment of a public sector entity’s financial position and changes in financial position (…)”.
2) In paragraph 61 (e) which is in the financial liabilities’ subsection, consider changing “deferred revenue” to “unearned revenue” as this is the terminology used in PS 1202. In addition, since unearned revenue can either be a financial liability or a non-financial liability (PS 1202.108), consider adding a note to that effect in paragraph 61 given the next two paragraphs (62 and 62A), in the non-financial liabilities’ subsection, do not mention anything specific about unearned revenues.
3) In paragraph 62, for consistency with paragraph 62A and PS 1202.099 (a), consider making the following change: “This assists users in assessing the entity’s non-financial liabilities related to transferring, granting external party access and/or using non-financial assets or unrecognized economic resources, often to provide services, to settle the non-financial obligations.”
4) Consider making the following editorial change to both the titles above paragraphs 66A and 67, as well as in paragraphs 67 and 67A: “Net financial assets or ~~(~~net financial liabilities~~)~~” or “Net assets or ~~(~~net liabilities~~)~~”, as applicable.
5) In paragraph 66A, for greater clarify and consistency within the paragraph, consider making the following change: “An analysis of net financial assets or net financial liabilities (calculated as the difference between financial assets and financial liabilities) provides users with information relevant in assessing the public sector entity’s overall financial position. An overall net financial assets position means there are ~~Net financial assets represent the~~ financial assets available to the public sector entity to provide services in the future and/or settle existing and future financial liabilities. An overall net financial liabilities position means there is a need for future financial assets to settle financial liabilities that have arisen from past transactions or other events.(…)”
6) In paragraph 67, for consistency and clarity with the level of detail provided in paragraph 66A, consider providing additional guidance on the net assets or net liabilities indicator such as the information in PS 1202.109 and .110. In addition, if the last sentence of paragraph 67 is kept, consider making the following changes for clarity and consistency with PS 1202: “For example, providing significant explanations and a trend analysis related to the net assets or ~~(~~net liabilities~~)~~ may indicate to users that while net financial liabilities ~~is~~ are growing over the longer period, the public sector entity is accumulating non-financial assets such as tangible capital assets”.
7) In paragraph 67A, for improved clarity, consider providing examples of items that would be recognized in accumulated remeasurement gains and losses.
8) In paragraph 81 (e), to improve clarity and consistency with PS 1202.193, consider making the following changes: “An analysis of net cash available after the operating, capital, and investing activities for the period are totalled, and presented. This shows whether all of an entity's other activities combined resulted in the need for cash to be raised through financing activities and it highlights one aspect of the entity’s fiscal sustainability ~~which provides additional information regarding financing activities were required to fund the entity’s activities as well as the entity’s fiscal sustainability~~. Reporting on sustainability is an important dimension of accountability reporting.”

9) In Appendix A, for consistency with PS 1202.006, consider changing the order of the statements to the following: statement of financial position, statement of net financial assets or net financial liabilities, statement of operations, statement of changes in net assets or net liabilities and statement of cash flow.

Question 2

Do you agree that the proposed narrow-scope amendments achieve the objective of ensuring consistency with the new Conceptual Framework and Reporting Model? If not, what further changes are required?

OAG response:

We agree that the proposed narrow-scope amendments achieve the objective of ensuring consistency with the new Conceptual Framework and Reporting Model. We have noted items for consideration to clarify and further improve the proposals (refer to question 1 above).