

Video Transcript – Reviewing PSAB’s Approach to International Public Sector Accounting Standards

Slide 1: Review of International Strategy

Thank you for tuning into PSAB’s video update on its International Strategy project. I am Thaksa Sethukavalan, Principal with the Public Sector Accounting Board. This video will bring you through high level summary of the work we’ve done on the International Strategy project to date, and give you some insight into the second International Strategy Consultation Paper and what it covers.

Slide 2: Overview

This video provides:

- some background on why we are looking at revising our international strategy;
- an understanding of what was communicated about the International Strategy in PSAB’s Strategic Plan; and
- an outline of the clarified final four International Strategy options and the five chosen criteria that will be used to evaluate them.

By the end of the video, you will have a better understanding of the different International strategy options. This may help influence your view on which option is best for Canada.

Slide 3: International Strategy – why now?

The big question most people have regarding our International Strategy is: *Why now?* Why is now a pivotal time to be reviewing out international Strategy? Well, there are in fact many reasons:

- First and foremost, International Standards have matured and the IPSASB has become a very reputable standard setter. IPSAS has a strong and robust conceptual framework, a robust due process, and the IPSASB has developed a strong and comprehensive set of Accounting Standards.
 - Second, more and more countries have adopted international standards. Moving towards an international accounting framework may help improve international comparability of Canada’s public sector financial statements.
 - Third, moving to an International financial reporting framework may help Canada’s role in influencing International Standards.
 - Finally, much time and resources are spent by PSAB on developing Canadian public sector standards. Following a strong and reputable international framework may allow for a more efficient use of Canadian standard-setting resources.
-

Slide 4: 2017-2021 Strategic Plan

PSAB’s [2017-2021 Strategic Plan](#), outlines five strategies of focus. The third strategy, *Review of PSAB’s approach to International Public Sector Accounting Standards (IPSAS)*, reflects the increasing trend towards global harmonization of accounting standards. As part of the development of the [Strategic Plan](#), it was determined that the time was appropriate for the Board to review its current approach towards IPSAS, especially as more countries are adopting or adapting the framework.

Slide 5: 2017-2021 Strategic Plan

The Board’s Strategic Plan outlined that over the 2017-2021 period, the Board planned to:

- conduct research on the differences between PSAS and IPSAS;
- learn about the experiences of other jurisdictions that choose to follow, partially follow, or not to follow IPSAS;
- publish a consultation paper to get the opinion of stakeholders; and
- develop options that would lead to the Board’s future international strategy.

Slide 6: Timeline

The Board released its first of two Consultation Papers, “[Reviewing PSAB’s Approach to International Public Sector Accounting Standards](#),” on May 28, 2018. Comments and responses were due on September 28, 2018.

When we issued Consultation Paper #1, our aim was to introduce the decision-making model and the criteria that would be used to evaluate the International Strategy options to stakeholders.

As the focus was on the criteria being used to evaluate the options, the paper took a neutral approach as PSAB had not yet decided which option to pursue. It did not seek opinions on which option PSAB should adopt.

This first paper asked 5 questions:

- Are there additional criteria the Board should consider when evaluating the options?
- Should any criteria take precedence over others?
- Are there other significant facts that should be taken into consideration?
- Are there any other options to be considered?
- Are there any other matters that should be brought to the Board’s attention for consideration?

PSAB reviewed the responses received and drafted the second consultation paper that was released on May 8, 2019. Comments are due on this second consultation paper on September 30, 2019.

Once the comments have been reviewed and shared with the Board, PSAB expects to be in a position to make a decision on its approach to IPSAS by March 2020.

Once a decision is made, PSAB plans to release a basis for conclusions document. The document will aim to summarize common and significant perspectives raised by stakeholders and will also explain PSAB’s conclusions in the decision-making process.

Slide 7: The Options

In Consultation Paper 1, we outlined that there were four International Strategy options.

One of the main pieces of feedback we heard was that stakeholders needed more clarity on the distinction between the four options, particularly between options 2 and 3. Stakeholders wanted more information on what each option entailed and how it differed from the other options. As a result of this feedback, Consultation Paper #2 seeks to better clarify the different International Strategy options. These clarified options are:

- Option I – Status Quo
- Option II – Adapt IPSAS principles
- Option III – Adopt IPSAS with exceptions
- Option IV – Adopt IPSAS

I’ll be spending a bit of time now outlining what each of these 4 options mean.

Slide 8: Option I – Status Quo

- The first option is “Status Quo.” Under this option, PSAB would continue with the existing Canadian standard-setting process, with PSAB independently establishing Public Sector Accounting Standards (PSAS). PSAB would continue to independently:
 - set its agenda;
 - develop its strategic plan;
 - complete its project identification and prioritization surveys; and
 - follow its existing due process.
- Under this option, PSAB may refer to other standard setters in the development of PSAS, but there is no formal requirement to use their work.
- PSAB’s conceptual framework and financial reporting model would also still apply.
- Continue to actively look for ways to develop standards more quickly.
- Conduct a review to determine if a change in approach to International strategy is appropriate every second strategic planning period.

Slide 9-10: Option II – Adapt IPSAS principles when developing future standards

- The second option is “Adapt IPSAS principles when developing future standards.” Under Option 2, PSAB would continue to develop PSAS, but future standards would be based on the principles in existing IPSAS. If a Canadian project is undertaken and an IPSAS already exists, the principles of that IPSAS standard would be used as a base for developing the PSAS.
- A “Criteria for Modifying Principles” document would provide guidance on when departures from IPSAS principles are permitted, as well as the extent of deviations.
 - One example of a permitted deviation is if an IPSAS principle in a standard under consideration is contrary to PSAB’s conceptual framework and financial reporting model. In that case, a deviation from that IPSAS principle would be permitted in the development of PSAS.

- Like Option I, PSAB would continue to develop PSAS standards under Option II. It would independently:
 - set its agenda;
 - develop its strategic plan;
 - complete its project identification and prioritization surveys; and
 - follow its existing due process (which would be modified to incorporate the Criteria for Modifying Principles document).
- Under this option, PSAB’s conceptual framework and financial reporting model would also still apply.
- Any changes to standards would occur prospectively.
- PSAB’s International strategy would have increased focus on influencing the principles under development for new IPSAS.

Slide 11-13: Option III – Adopt IPSAS except when a departure is permitted

- Under Option III, PSAB would adopt IPSAS as issued by the International Public Sector Accounting Standards Board (IPSASB), other than where a departure is deemed necessary to address Canadian circumstances.
- Under this option, PSAB does not develop its own standards. Instead, PSAB incorporates new or amended IPSAS into the Public Sector Accounting (PSA) Handbook only after performing endorsement activities. This would be similar to the Canadian Accounting Standards Board’s endorsement process for IFRS® Standards. It should be noted, however, that the Board has the ability to take on projects independently of IPSASB if a Canadian-specific issue is identified.
- A “Criteria for Modifying Standards” document would provide guidance on when a departure from IPSAS is permitted.
- Unlike Options I and II, IPSASB’s conceptual framework and financial reporting model would apply. Additionally, retrospective adoption of all IPSAS would occur at a defined transition date.
- In option III, PSAB would continue to independently set its agenda and develop its strategic plan, but it would have a more international focus. PSAB’s due process would be modified to incorporate the Criteria for Modifying Standards document and include the endorsement process.
- The International Strategy would be more focused on influencing international standards, including researching and advocating for prioritizing projects that are important to Canadian stakeholders.

Slide 14-15: Option IV – Adopt IPSAS

- The fourth and final option is “Adopt IPSAS.” Under this option, PSAB would adopt IPSAS as issued by the IPSASB. Retrospective adoption of all IPSAS would occur at a defined transition date. PSAB would maintain a strong global presence on the international stage to enhance Canada’s influence.
- There would be no ability to modify IPSAS before they become part of the PSA Handbook, and PSAB would not have the ability to develop standards independent of the IPSASB.
- The due process would be modified to incorporate the standards-adoption process as issued by the IPSASB with no modifications.
- IPSASB’s conceptual framework and financial reporting model would apply.
- The International strategy would be solely focused on influencing international standards, including researching and advocating for prioritizing projects that are important to Canadian stakeholders.

* It should be noted, however, that although PSAB has not decided on its International strategy at this time, it does not consider Option IV to be a viable option given Canada's strong accrual-based financial reporting framework.

Slide 16: Final Criteria

In responding to the first consultation paper, we heard a number of other criteria suggested by stakeholders. However, after much consideration, it was determined that the additional criteria were not sufficiently unique in warranting the addition of another criterion. We believed that these suggestions were or could be incorporated into existing criteria. A complete list of these suggestions, and their specific reasons, can be found in the second consultation paper.

We also heard a lot of feedback from stakeholders noting that the decision-making criteria needed to be defined. This would ensure that all stakeholders had the same understanding of the criteria. As such, the second consultation paper works to specifically define the criteria.

Finally, the second consultation paper also refines the decision-making criteria from six, included in the first consultation paper to five. This was done as PSAB felt the use of standard-setting resources criterion included in Consultation Paper I, was already incorporated in other criteria. This criterion was combined with the due process criterion, as a strong due process would ensure that there's an efficient and effective use of standard-setting resources. These five criteria are now:

- High-quality accounting standards;
- Due Process;
- Canadian Control and influence over the standard setting process;
- Transition Costs; and
- International Alignment.

Slide 17: So where do we go from here?

- The second consultation paper was released on May 8, 2019, and we've been working quite a bit to get the word out. The main question being asked is: Which option best meets the Canadian public interest?
- Over the next few months, we will be meeting with stakeholders across Canada to get their feedback on the paper. This will be done in conjunction with the GNFP paper, as we are trying to reach much of the same audiences.
- Our consultations will be done up until the consultation paper deadline of September 30, 2019.
- Once we get comments back, we will review the stakeholder feedback.
- This will hopefully lead us to be in a position to make a decision on international strategy by March 2020.
- In the meantime, we'd love to hear from you. Please head over to the [FRAS Canada website](#), take a read of our [Consultation Paper](#) and submit your comments online!