

# In Brief

*A plain and simple overview of PSAB's 2020 decision to adapt IPSAS principles when developing future standards*

At its May 5, 2020 meeting, PSAB voted to adapt IPSAS principles when developing future standards. This decision has been years in the making, including extensive consultation with Canadian stakeholders, as part of the Board's International Strategy project.

**Project objectives:**

In PSAB's [2017-2021 Strategic Plan](#), the Board signaled its intent to review its approach towards International Public Sector Accounting Standards (IPSAS). IPSAS have matured over the last decade and are a high-quality and comprehensive set of accounting standards. With other jurisdictions comparable to Canada adopting or adapting IPSAS, PSAB decided it was time to review Canada's current approach towards IPSAS.

**The project stage:**

While PSAB has made the decision, more planning and work will be done to support stakeholders in this change. The Board itself will also continue to work on implementing this change into its due process, which will require further discussion and work in the coming year.

A basis for conclusions will be issued in July 2020 that will outline how PSAB came to this important decision.

**Next steps:**

The implementation date of this decision is April 1, 2021. All standards projects initiated on or after this date, will use the principles of IPSAS in the development of the PSAS standard, if a similar IPSAS already exists. In cases where a similar IPSAS does not exist, PSAS standards would continue to be developed as they are today.

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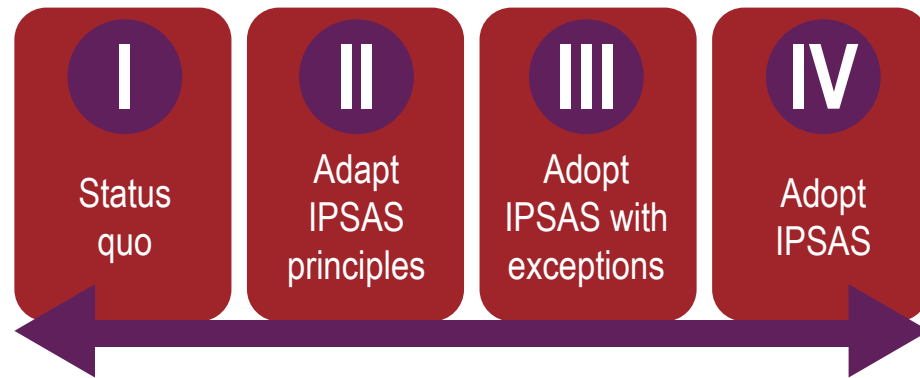
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## Why did PSAB review its approach to IPSAS?

In its 2017-2021 Strategic Plan, PSAB signaled its intent to develop and communicate options in relation to its approach to IPSAS.

Over the last decade, IPSAS have matured and are considered a high-quality and comprehensive set of accounting standards. With other jurisdictions comparable to Canada adopting or adapting IPSAS, PSAB determined that the time was appropriate to review its current approach towards IPSAS.

PSAB considered four options for its international strategy (defined in [\*Consultation Paper, Reviewing PSAB's Approach to International Public Sector Accounting Standards\*](#)):



These options were evaluated through stakeholder input and decision-making criteria developed to determine which international strategy best served the Canadian public sector.

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## What International Strategy decision did PSAB make?

In finalizing its International Strategy project, PSAB considered feedback from both stakeholders and the Strategic Advisory Group.

After careful review of all stakeholder input, the Board concluded that the best way forward is Option 2: Adapt IPSAS principles when developing future standards, as described in Consultation Paper 2, "Reviewing PSAB's Approach to International Public Sector Accounting Standards."

Under this option, PSAB will maintain its role as the sole standard-setter authorized to set generally accepted accounting standards for all public sector entities in Canada.

It will also continue to have complete autonomy in developing Public Sector Accounting Standards (PSAS) and determining which standards are to be developed.

## What does this mean?



PSAB will continue to develop PSAS, but future standards would be based on the principles in IPSAS standards.

This means that if a project is undertaken and an IPSAS already exists, the principles of that IPSAS will be used as a base for developing the corresponding Canadian PSAS.

The Board will establish Criteria for Modifying and Reviewing Principles in IPSAS that will act as a framework and provide guidance on when departures from IPSAS principles are permitted.

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## Frequently Asked Questions

Question	Answer
Planning, Agenda, Project Setting and Standard Development	
Does PSAB set its own technical agenda?	Yes, PSAB will continue to independently develop and set its own technical agenda.
Does PSAB set its own strategic plan?	Yes, PSAB will continue to independently develop and set its own strategic plan.
Does PSAB set its own annual plan?	Yes, PSAB will continue to independently develop and set its own annual plan, based on the strategies outlined in the strategic plan.
What happens when PSAB chooses to develop a standard where an IPSAS already exists?	<p>When PSAB chooses to develop a standard where an IPSAS already exists, PSAB would use the principles of that IPSAS to develop the Canadian PSAS.</p> <p>The Criteria for Modifying and Reviewing Principles in IPSAS outlines circumstances when PSAB could modify IPSAS principles in the development of PSAS.</p> <p>Examples of circumstances where modification would be allowed include IPSAS principles that are contrary to PSAB's conceptual framework, or IPSAS principles that are not appropriate for application in the Canadian environment.</p>
What happens when PSAB chooses to develop a standard where an IPSAS does not already exist?	When PSAB chooses to develop a standard where there is no equivalent IPSAS standard, the standard would be developed as they are now. PSAB would develop the entire standard, in accordance with its due process.

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<b>Conceptual Framework and Financial Reporting Model</b>	
Does PSAB's conceptual framework and financial reporting model apply?	Yes, PSAB would continue to apply its own conceptual framework and financial reporting model.
<b>GAAP Hierarchy</b>	
Will there be a change to the GAAP hierarchy to require public sector entities to look at IPSAS as the first alternative source when there is no PSAS?	<p>Yes. Under this option, PSAB would propose to modify the GAAP hierarchy set out in the Public Sector Accounting (PSA) Handbook, Section PS 1150, Generally Accepted Accounting Principles, to position IPSAS as the go-to standards framework in situations where PSAB has not issued a specific standard.</p> <p>This proposed change would be subject to PSAB's due process, including consultation with stakeholders.</p>
<b>Transition</b>	
Would this change occur prospectively?	Yes, implementation would occur prospectively. However, PSAB retains the ability to review existing PSAS as part of its technical agenda.
When would this new option be implemented in Canada?	<p>The effective date of this decision is May 5, 2020 (date of Board approval).</p> <p>The decision will be implemented for new projects beginning on or after April 1, 2021.</p>

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What work would PSAB carry out in implementing this decision?	PSAB will undertake the following activities: <ul style="list-style-type: none"><li>• release a basis for conclusions (July 2020);</li><li>• develop the Criteria for Modifying and Reviewing Principles in IPSAS;</li><li>• revise the due process; and</li><li>• release an exposure draft on the modification to the GAAP hierarchy and modify the GAAP hierarchy as per stakeholder feedback.</li></ul>
What existing PSAB projects would be stopped/affected?	All existing projects would be grandfathered and completed as per their project charters.
<b>Influence of IPSASB</b>	
What steps will PSAB take in influencing IPSASB?	Moving forward, all IPSASB discussion papers will be promoted by PSAB via our various communications channels. Canadian stakeholders will be encouraged to review and respond. PSAB will also provide responses to IPSASB documents for comment.  Stakeholders will be consulted on IPSASB projects that are highly relevant to the Canadian public sector.

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## What now?

A basis for conclusions will be released in July 2020.

### How does this decision affect stakeholders?

The transition to adapting IPSAS principles when developing future standards will have minimal effect on most stakeholders. The transition is prospective. Stakeholders will continue to be consulted on PSAB activities and proposals as they are today.

As PSAB will now be formally responding to IPSASB documents for comment, PSAB will consult with stakeholders in the development of PSAB responses to IPSASB documents for comment. Stakeholders are encouraged to respond to IPSASB documents for comment directly, as some already do.

### Next steps

Over the coming months, PSAB will also be releasing communications and providing updates on its decision.

This July, PSAB will release a basis for conclusions document that summarizes common and significant perspectives stakeholders raised in Consultation Paper 2. The document will explain the Board's conclusions in the decision-making process.

### Stay informed

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### Contact

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