



Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street, 4th Floor
Toronto, ONTARIO
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Dear Sir/Madam:

SUBJECT: Exposure Draft 56: The Applicability of IPSASs

Thank you for the opportunity to comment on the Exposure Draft – *The Applicability of IPSASs* issued in July 2015.

The Government of Canada bases its accounting policies on the accounting standards issued by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). Our government is not required to follow the International Public Sector Accounting Standards (IPSAS), however, IPSAS are regarded as an important secondary source of GAAP.

We have the following comments with respect to the proposed amendments to IPSASs that are consequential to the removal of the definition of Government Business Enterprises (GBE) in IPSAS 1:

Commercial public sector entity

In several instances throughout the proposed changes to IPSASs, the term “GBE” has been replaced by “commercial public sector entity”, “commercial entity” or “commercially-oriented public sector entity”. Although we understand that the goal of the change is to remove the definition of a GBE, we believe that an explanation of “commercial public sector entity” is required to ensure the guidance is comprehensive. Consequently, we suggest that clarification is provided, either in the Preface or in IPSAS 1, to state that the term “commercial public sector entity” refers to a public sector entity that does not apply IPSASs. We also recommend that this term (as stated) is used where possible, rather than the other versions noted above, so as to remove any potential for misunderstanding.

Scope and applicability of standards

Preface:

As noted in our comments on the Consultation Paper, not all public sector entities provide services directly to the public; some have a mandate to provide services to other public sector entities. For example, in the Canadian federal government, *Shared Services Canada* and *Public Works and Government Services Canada*, have mandates to provide services such as information technology and building maintenance to other government departments and agencies, and do not provide services directly to the public. Consequently, to make the guidance more inclusive of all relevant public sector entities, we believe that paragraph 10(a) in the Preface should be modified as follows:

“...Are responsible for the delivery of services to the public, or to other public sector entities, with assets held primarily for their service potential and/or to make transfer payments to redistribute income and wealth.”

Standards:

The scope sections of certain IPSASs make references to the requirement that “public sector entities other than commercial (public sector) entities...” apply the standard. However, we believe there should be a presumption in the guidance that IPSASs are applied only by those entities for which they are intended. Therefore, we suggest removing “...other than commercial (public sector) entities” as applicable, as this scope restriction is not relevant to those entities that are applying the standards. Leaving these references in the scope sections may cause misinterpretation of which policies should be applied when conforming the accounting policies of commercial public sector entities to those of the group reporting entity for the preparation of consolidated financial statements. We have noted these references in the following standards:

- IPSAS 21 *Impairment of Non-Cash Generating Assets*, paragraph .06
- IPSAS 24 *Presentation of Budget Information in Financial Statements*, paragraph .03
- IPSAS 26 *Impairment of Cash Generating Assets*, paragraph .05

Other

The last sentence in IPSAS 16.9 *Investment Property* is a repeat of an earlier sentence in that same paragraph.

We thank you again for providing the opportunity to comment on this Exposure Draft. If you require further information, please do not hesitate to contact either André Charbonneau at andre.charbonneau@tbs-sct.gc.ca (613-853-4672) or myself at diane.peressini@tbs-sct.gc.ca (613-369-3107).

Yours sincerely,



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c.c.: Bill Matthews, Comptroller General of Canada