

November 30, 2021

International Public Sector Accounting Standards Board (IPSASB)
277 Wellington Street West
Toronto, ON M5V 3H2 Canada

Re: Draft Response to IPSASB's Mid-Period Work Program Consultation

Thank you for the opportunity to provide input on IPSASB's Mid-Period Work Program Consultation.

Overall, PSAB has several suggestions for major and minor projects for the IPSASB to pursue as part of its 2019-2023 work program. Please see Appendix A for the reasoning behind the project suggestions.

In terms of major projects, PSAB has concluded that it is in the best interest of stakeholders if the following two major projects are prioritized:

- Differential Reporting (agree with IPSASB proposed project selection)
- IPSAS 31, Intangible Assets (different from IPSASB proposed project selection, moved from minor to major project selection)

In terms of minor projects, PSAB has concluded that it is in the best interest of stakeholders if the following three minor projects are prioritized (in order of preference):

- IPSAS 21, Impairment of Non-Cash Generating Assets (agree with IPSASB proposed project selection)
- IPSAS 32, Service Concession Arrangements: Grantor (different from IPSASB proposed project selection)
- Conceptual Framework – IPSAS Consistency Update (different from IPSASB proposed project selection)

Finally, PSAB also included some other potential projects for IPSASB to consider at the end of this document.

We hope that you find the comments helpful.

Kind regards,

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Chair, Public Sector Accounting Board
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RESPONSES TO SPECIFIC QUESTIONS

Question 1:

Do you agree with the major projects proposed by the IPSASB?

If not, which major project(s) would you substitute for those proposed, and why?

PSAB Response

In terms of major projects, PSAB has concluded that it is in the best interest of stakeholders if the following two major projects are prioritized:

- Differential Reporting (agree with IPSASB proposed project selection)
- IPSAS 31, Intangible Assets (different from IPSASB proposed project selection, moved from minor to major project selection)

PSAB agrees with the IPSASB proposal to have differential reporting as one of the proposed major projects. Canada's public sector is very diverse. As a result, there is a growing discussion on how to make financial reporting more manageable for small and medium-sized public sector entities given that they don't always have the capacity or resources of larger public sector entities. Differential reporting is also an important issue for Canadian government not-for-profit entities and other groups with specialized needs. A project that explores the characteristics of less complex public sector entities, and the appropriate financial reporting approaches and guidance that could be applied by less complex entities, would be of value to Canada.

In addition, PSAB suggests that a project on IPSAS 31, *Intangible Assets*, would be better for Canadian and global stakeholders than the proposed Presentation of Financial Statements project. While an update to IPSAS 31 was identified as a possible minor project, PSAB has determined that the amount of work involved in relation to public-sector specific intangibles would qualify the project as a major project. For example,

- Electromagnetic spectrum rights are an increasingly important topic given 5G developments globally.
- The project could also look at other public-sector specific intangibles, such as air and sea rights.
- PSAB has also received questions about early intervention investments in health program infrastructure (non-physical) and how the programs are designed and structured to deliver specific health services. These initiatives are arguably an intangible form of social investment and may be something standard setters need to address in relation to future ESG reporting.

Finally, a project that develops updates to the Intangible Assets standard would be of interest to Canadian stakeholders and would be beneficial for PSAB as it contemplates future projects.

At the present time, PSAB has concluded that the Presentation of Financial Statements project would not be the highest priority for many stakeholders, at least from a Canadian perspective. PSAB is already undertaking a Conceptual Framework and Financial Reporting Model project. As part of this project, PSAB has already considered and developed improvements to the presentation of PSAS financial statements, including how financial information can be presented to users in a more useful way. As a result, while a project on Presentation of Financial Statements would be interesting for PSAB to follow, it would not be of significant value to Canadian stakeholders at this time.

Question 2:

Do you agree with the minor projects proposed by the IPSASB?

If not, which minor project(s) would you substitute for those proposed, and why?

PSAB Response

In terms of minor projects, PSAB has concluded that it is in the best interest of Canadian stakeholders if the following three minor projects are prioritized (in order of preference):

- IPSAS 21, Impairment of Non-Cash Generating Assets (agree with IPSASB proposed project selection)
- IPSAS 32, Service Concession Arrangements: Grantor (different from IPSASB proposed project selection)
- Conceptual Framework – IPSAS Consistency Update (different from IPSASB proposed project selection)

PSAB agrees that updating IPSAS 21, Impairment of Non-Cash Generating Assets, would have significance for global and Canadian stakeholders. As IPSASB noted in its consultation paper, determining the impairment of assets held for public sector specific purposes, such as service delivery, as opposed to profit-oriented activities can be very difficult. An IPSASB project that looks to enhance public sector specific guidance on impairments would have significant benefits to Canadian stakeholders and may allow PSAB to leverage some of this work when conducting its own standard setting activities.

Moreover, PSAB suggests that a limited-scope project to address application challenges related to hybrid service concession arrangements would be important to many stakeholders across the world. These types of arrangements are becoming increasingly common and completing a limited scope update on hybrid service concession arrangements would be helpful to stakeholders. Also, given the prevalence of public private partnerships here in Canada, this project would be of interest to Canadian stakeholders.

Finally, PSAB supports adding a limited scope project to better align IPSAS with its Conceptual Framework. Ensuring that standards are consistent with the Conceptual Framework improves comparability and consistency of application. PSAB has done a lot of work on its own

Conceptual Framework. We invite IPSASB to review the exposure drafts PSAB has shared on its updates to the Canadian Conceptual Framework to see if there is any work that can be leveraged in an IPSAS-Conceptual Framework Alignment project.

PSAB has raised some possible projects for IPSASB to consider as a fourth minor project. Please see the “Other Feedback” section below.

With respect to the three potential minor projects in the Mid-Period Work Program Consultation that PSAB has chosen not to support at this time, PSAB has concluded that their impact to Canadian stakeholders would not be as significant as some of the other minor projects IPSASB is considering. These three projects are:

- IPSAS 33, First Time Adoption of Accrual Basis IPSAS – Canada is already following an accrual basis of accounting. While we understand that a project in this area would be important from a global perspective, it is not a project that would be significant to Canada at this time. In fact, rather than being a topic subject to regular re-prioritization, we suggest that updates to IPSAS 33 and the Cash-basis IPSAS should be added to the IPSASB technical agenda in the same way as annual improvements.
- IPSAS 20, Related Party Disclosures – With PSAB already having a relatively new standard on Related Party disclosures, a project in this area would not be significant to Canada at this time.
- Making Materiality Judgments – PSAB has not heard significant feedback on issues with making materiality judgments from Canadian stakeholders.

Other Feedback

While not requested, PSAB has also identified some other important projects that may be worth consideration by IPSASB.

One such potential project would be financial reporting by Indigenous governments. Many countries around the world have Indigenous populations (e.g., Australia, New Zealand, the US, Mexico, Brazil, etc.). Many of these Indigenous governments have very specific financial reporting needs. Research could be conducted on the financial reporting needs and requirements of Indigenous governments, and what common global financial reporting standards could be developed or modified to address their specific needs.

Another potential project would involve conducting a research project on broader sustainability reporting/disclosure. Sustainability reporting and disclosure is a topic that is becoming increasingly important globally. Conducting research on the type of guidance that is needed for sustainability reporting and disclosure would be highly relevant to IPSASB and many other standard-setters.