

Submission by the Association of Chartered Certified Accountants

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Submission via email

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer relevant, first-choice qualifications to people around the world who seek a rewarding career in accountancy, finance and management.

ACCA supports its 219,000 members and over 527,000 students in 179 countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of 110 offices and centres and 7,571 Approved Employers worldwide, who provide high standards of employee learning and development.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.

ACCA has introduced major innovations to its flagship qualification to ensure its members and future members continue to be the most valued, up to date and sought-after accountancy professionals globally.

The expertise of our senior members and in-house technical experts allows ACCA to provide informed opinion on a range of financial, regulatory, public sector and business areas. Further information about ACCA's comments on the matters discussed here can be requested from:

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ACCA welcomes the opportunity to comment on the consultation paper issued by PSAB on *Reviewing PSAB's Approach to International Public Sector Accounting Standards*. The ACCA Public Sector Global Forum, staff experts and broader ACCA stakeholders have considered the matters raised and their views are represented in the following.

AREAS FOR SPECIFIC COMMENT:

Question 1

Considering the criteria and options as described in this Consultation Paper, which option best meets the Canadian public interest? Please explain.

Response

The Public Sector Accounting Board (PSAB) has clearly undertaken a thorough review of the role of International Public Sector Accounting Standards (IPSAS). Having not responded to the first consultation paper on this topic, ACCA feels that the criteria selected for evaluating the International Strategy (ie, high-quality accounting standards, due process, Canadian control, transition costs, international alignment, and use of standard setter resources) were appropriate.

At the same time, it is not entirely clear what problem is being solved. From our perspective, and based on the criteria set out in the consultation, there are three potential problems that could be mitigated by a country with a mature standards framework transitioning to an international set of standards. First, the consultation rightly notes that international comparability could be improved through IPSAS adoption. Second, gaps in the existing PSAS (eg, leases and impairments) could be filled, in a timely manner, through the adoption of IPSAS. Finally, the development time for new standards might be shortened through IPSAS adoption or through the adaption of IPSAS principles to future standards. We note though that the federal government is likely to be the main beneficiary of comparability and that due consideration needs to be given to transition costs, especially for smaller public organisations.

Based on *Application of the Criteria to the Options* (p. 17 – 22), there appears to be no issues with maintaining the status quo when considering 'Canadian control', 'transition costs', or 'due process'. Therefore, our response will focus on the three areas set out above: improving international comparability, filling gaps in existing standards, and reducing the development time for new standards.

1) Improving international comparability

Given that 50% of current PSAS have material differences from IPSAS, options 2 – 4 would – to varying degrees – improve the comparability of Canadian public sector accounts with international peers. Alongside comparability, the PSAB could benefit from improved influence in global standard setting through the adoption of IPSAS or adaption of its principles. This influence would be reinforced by the fact that the IPSAS Board is based in Toronto, Canada. These benefits need to be weighed against the transition costs for public sector organisations, particularly for smaller entities and from the retrospective requirement under options 3 and 4.

2) *Filling gaps in existing PSAS*

PSAB currently has no standards on leases and impairments and is addressing new issues in its employment benefits standard. The IPSAS Board have issued a standard on leases, impairments, and employment benefits. There is an opportunity to fill this gap in the existing PSAS through adoption of some IPSAS.

It will be important to consider to what extent the existing PSAS and any future standards (either adopted wholesale from IPSAS or based on IPSAS principles) would provide a consistent set of principles for public sector preparers.

3) *Reducing the development time for new standards*

Assuming that there is consistency between the principles of IPSAS and the existing PSAS, the PSAB could quickly fill gaps in the existing standards.

However, the timeliness of new standards might not be improved through the adoption of IPSAS. The IPSAS Board have struggled in some instances to produce an agreed international standard – for example, IPSAS 42 (Social Benefits) was completed following 16 years of deliberation. Whereas adapting existing principles from IPSAS, and therefore reducing the ground for debate in the production of new standards, could improve timeliness.

Recommendation

Following our review of the consultation documents and discussions across ACCA's expert network, we recommend pursuing option 2 or option 3 – depending on the appetite for change from public sector preparers and within PSAB. In our view, option 2 provides the opportunity to start improving comparability, while minimizing uncertainty and transition costs. Furthermore, the consultation suggests that basing new PSAS on IPSAS principles could improve the timely completion of standards – an important objective for standard setters. Option 2 would also allow for any future guidance on GONFP or small entities to fit more easily into the existing framework.

There are potential pitfalls to adapting IPSAS principles for future standards (option 2), which should be mitigated, including potential issues in aligning new IPSAS-based standards with existing PSAS. If there is little scope for IPSAS convergence in the foreseeable future, the full benefits of international comparability would be reduced – though accepting option 2 would not preclude a future review of the PSAB's International Strategy and a move over time to option 3.

In our view option 3 represents a good longer-term goal that could be transitioned to over a longer period. Option 3 provides international consistency and comparability and would position Canada as a leader in the use of international standards. It would also leverage the considerable international thinking on public sector issues, whilst ensuring that standards meet the needs of the Canadian public sector.