

Consultation Paper
*Reviewing PSAB's Approach to International
Public Sector Accounting Standards*

**Response from the Chartered Institute of
Public Finance and Accountancy (CIPFA)**

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CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

Further information about CIPFA can be obtained at www.cipfa.org

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PSAB Consultation Paper *Reviewing PSAB's Approach to International Public Sector Accounting Standards*

CIPFA is pleased to present its comments on this consultation paper which has been reviewed by CIPFA's Accounting and Auditing Standards Panel.

CIPFA is a member of the International Federation of Accountants, and so like all IFAC member bodies is committed to promoting the implementation of accrual basis accounting by governments through adoption of the Accrual IPSAS. We feel a special attachment to the canon of IPSAS standards, because

- We are a professional accountancy organisation which specialises in the public sector;
- We have directly aided the development of high quality IPSAS standards by providing support to the various UK members of IPSASB, whether or not they are CIPFA members. (While we would not want to downplay CIPFA's part, we would note that the UK profession as a whole is strongly committed to the IPSAS agenda); and
- We have also provided significant input to the IPSASB consultation process in high quality responses.

Against this background, we would note that in addition to supporting public sector financial reporting in Canada, the Canadian profession has also demonstrated considerable commitment to the development of IPSAS through its financial and other support to the IPSASB, and through responding to IPSASB consultations.

In the light of our earlier comments, CIPFA considers IPSAS adoption to be a desirable endpoint for all governments, whether this is carried out directly, or indirectly through national standards. But this is, necessarily, a matter to be determined by governments themselves.

Canada already reports on an accrual basis using standards which are developed through a rigorous process. This is an excellent position to be starting from, and in this regard Canada is ahead of the game compared to many countries. We would note that a significant number of countries expect to move to reporting on an accrual basis in the next five years, many of them by adopting IPSAS, either directly or indirectly.

The matter under question is how Canada can best arrange its standard setting arrangements to achieve appropriate quality, making the most effective use of Canadian resources, while ensuring that appropriate attention is given to the needs of accounts preparers, auditors and citizens. This is an important matter, and the PSAB is right to address this in a rigorous and transparent manner. Rigour and transparency are also vital to gain the political support which will be required to persuade governments to implement any change to the status quo.

Responses to Questions

CIPFA generally agrees with the criteria. Responses to the questions in the Consultation Paper are attached as an Annex. We hope this is a helpful contribution to PSAB's work in this area.

1. Are there additional criteria the Board should include in its business cases when evaluating the options for an appropriate international strategy for Canada?

CIPFA agrees that the criteria are sensible, and we have no additional suggestions to make.

We wonder if it would be better from an international perspective to avoid any suggestion that Canada might exercise disproportionate influence over the development of international standards. It might therefore be better to refer to 'appropriate Canadian influence', in line with the beneficial and appropriate approach set out in paragraph 14 of the paper

2. Should any criteria take precedence over others?

CIPFA considers that all the criteria are appropriate, and we have no suggestions on whether some criteria should take precedence over others.

3. Are there other significant facts that should be taken into consideration?

CIPFA notes that this consultation is primarily about the criteria to be applied, and that there will be further consultation on the four options.

However we would emphasise the importance of providing quite comprehensive explanations to stakeholders of how Canadian reporting interests might be served under each option, in order that this can be assessed together with the other criteria.

IPSAS are written with no particular jurisdiction in mind, and are therefore necessarily less specific than national ones, precisely because national differences need to be encompassed. Whilst we note that there may be reporting benefits in developing Canada specific standards, it will often be possible to achieve similar results through the application of Canada specific accounting policies, and in some cases through additional disclosure, within the framework of IPSAS.

4. Are there additional options for the Board to consider and for which it should develop a business case?

CIPFA considers that the four options outlined in the Consultation Paper are probably those which are most relevant for consideration.

We would note that the United Kingdom has adopted an approach to the use of international standards which is not covered in the options considered in the paper. CIPFA would be happy to provide information on the UK IFRS based hierarchy and public sector adaptation processes if this would be helpful, although as the PSAB paper indicates, the overall effect is quite close to IPSAS adoption.

5. Are there any other matters that should be brought to the Board's attention for consideration?

CIPFA has not identified any such matters.