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Information Note

Office of the Provincial Controller Division
Accounting Policy and Financial Reporting Branch

PSAB Invitation to Comment: Draft Strategic Plan for 2017-2020

Purpose:
The purpose of this information note is to provide background information the PSAB Invitation to Comment (ITC) on its strategic plan for the period covering 2017 through 2020. PSAB has requested that stakeholder provide their feedback by October 28, 2016.

Background:

History of responses
PSAB has been broadly communicating its strategic plan to, and requesting feedback from stakeholders since 2010. To date, this is the third strategic plan shared with stakeholders for comment. The first two strategic plans received very few responses from the stakeholder community: five responses in 2010 and four responses in 2013.

The first ever ITC on the 2010-13 strategic plan was issued for stakeholder feedback after it had already been finalized and approved by the Board and the Accounting Standards Oversight Council (AcSOC). Respondents noted their concern for not being able to comment on the strategic plan prior to its approval. In general, respondents communicated to PSAB that it should: focus its efforts and resources on addressing concerns with the conceptual framework; and discouraged the expanding its scope to non-financial reporting.

PSAB responded to stakeholder concerns by providing their ITC for the 2013-2017 strategic plan prior to its finalization and approval by AcSOC. This renewed strategic plan communicated similar intentions on the part of the Board: continued focus on the conceptual framework, expanding the scope of work to include non-financial reporting, and actively influencing the development of international public sector accounting standards. This strategic plan added the objective of improving how it engages and interacts with its stakeholders. Respondents continued to support the Board’s objective of improving the conceptual framework and discourage the expansion of scope to non-financial reports.

Scope of response:
OPCD usually responds on behalf of the Province and it is understood that Ministries are not to respond separately. Provincial responses sometimes make minor comments regarding the impact of consolidated organizations but generally focus on senior government concerns. We encourage these organizations to respond directly with their concerns. In particular the BPS has significant impacted organizations.

The college sector has already reached out to the Ministry of Advanced Education and Skills Development (MAESD) to consult with us. The direction provided is that we are happy to discuss but we encourage them responding directly as changes in the Not-for-profit standards impact them significantly.

<u>Research function at PSAB:</u>

In the past the CICA had a research group (Research Studies Development / Knowledge Development Group) which issued research reports and research studies on areas related to audit, accounting, finance, reporting and risk management. Between 1980 and 2010, the group released some 51 reports and studies, of which 8 were public sector specific. The last public sector research report was issued in 2009 by the CICA, titled, *Accrual Budgeting by Canadian Federal, Provincial and Territorial Governments*. The report presents a comprehensive review of senior government budgeting practices, providing information on the accounting relationships between budgeting and financial reporting documents.

At present, CPA Canada has a Research, Guidance and Support division, but its activities are focused on private sector needs. PSAB does not currently have its own research group/function. Research conducted by PSAB Principals and Task Forces are specific to active public sector standards setting projects.

Appendix A contains a summary of PSAB's strategic plans and stakeholder feedback over the past decade.

Current state:
The most recent ITC, issued in May 2016, is consistent with plans communicated in 2010, and 2013.

The Board anticipates:
- Completing its Canadian conceptual framework;
- Assessing its objectives and strategies relating to International Public Sector Accounting Standards;
- Increasing stakeholders' understanding and acceptance;
- Implementing an appropriate not-for-profit strategy for the public sector; and
- Reviewing and updating standards on public interest issues such as pensions, financial instruments and public private partnerships.

The Board is also planning to begin a formal research program relating to all the major categories of reporting entities that focuses on topics of importance to Canadians and contributes to evidence-based global best practices that consider the Canadian perspective.

Next Steps:
- Determine whether OPCD will provide a formal response to the Invitation to Comment
    - If yes, finalize and submit OPCD's feedback to PSAB's 2017-2020 Draft Strategic Plan by October 28, 2016.

Prepared by:	Rob Scheifley	416-325-8082
Approved by:	Ian Provis	416-327-2722
Date:	September 15, 2016	

A Decade of PSAB Strategic Plans Summarized

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<tr><th></th><th>2010-2013</th><th>2013-2017</th><th>2017-2020</th></tr>
<tr><td>Vision</td><td>Users understand and have confidence in public sector reporting.</td><td>The public has confidence in public sector financial reporting when public sector entities follow our standards and guidance.</td><td>The public has confidence in public sector financial reporting when public sector entities follow our standards and guidance.</td></tr>
<tr><td>Mission</td><td>PSAB serves the public interest by setting standards and providing guidance for financial and other information reported in the public sector by:
• Establishing independent, conceptually based standards and other guidance through consultation and communication; and
• Contributing to the development of internationally accepted standards</td><td>To serve the public interest by establishing independent, conceptually-based financial reporting standards and other guidance through due process for public sector entities.</td><td>The Public Sector Accounting Board (PSAB) serves the public interest by establishing standards and other guidance for financial reporting by all Canadian entities in the public sector and by contributing to the development of internationally accepted public sector financial reporting standards. The mission of PSAB shall be to contribute to supporting informed decision-making and accountability by maintaining a framework that provides a basis for high-quality information about organizational performance reported by Canadian public sector entities.</td></tr>
<tr><td>Strategic Objective</td><td>Financial Statements
1.1. Issue pronouncements in accordance with the conceptual framework.
1.2. Broaden the scope of application of the PSA Handbook to include government not-for-profit organizations, school boards and First Nations.
1.3. Monitor changes in pension plan accounting.
1.4. Assess the conceptual framework taking into consideration the Joint Working Group reports.
Financial and non-financial reporting
2.1. Issue pronouncements that guide and enhance public sector financial and non-financial reports.
2.2. Establish PSAB as the primary source for information and guidance about financial and non-financial reporting in the public sector.
2.3. Encourage the public sector to issue non-financial reports.
International strategy
3.1 Actively influence the development of a single set of high-quality, internationally accepted public sector accounting standards.
Communications strategies
4.1 Enhance the amount of explanatory information necessary to promote a better understanding of standards and guidance proposals and final documents.
4.2 Increase communications with and seek to increase the involvement of the fiscal policy community in the work of PSAB.</td><td>1. PSAB will have a conceptual framework that is widely accepted and used for the development of standards (How/by: Finalize the conceptual framework)
2. PSAB will have an informed community of stakeholders who understand and accept the due process for developing standards (How/by: Improve consultation with and for stakeholders)
3. PSAB will have one financial reporting framework used by all entities who apply the public sector handbook (How/by: Complete the transition of government not-for-profit organizations)
4. Stakeholders are engaged in the development of our standards (How/by: Issue standards and other guidance in accordance with due process procedures)
5. The Canadian public sector is engaged in and influences standards development by the International Public Sector Accounting Standards Board (How/by: While not having a convergence strategy, PSAB will continue to maintain a Canadian public sector standard-setting capability while contributing to and influencing the work of the IPSASB)
6. PSAB is aware if new developments in accounting and financial reporting (How/by: Monitor developments in reporting both domestically and internationally)</td><td>Overall strategic objective: To improve information for accountability and decision-making.

<u>Key objectives and activities</u>
1. Finalize the conceptual framework:
2. Review PSAB's approach to International Public Sector Accounting Standards:
3. Encourage stakeholders to support and accept our standards:
4. Implement a not-for-profit sector strategy that meets the public interest:
5. Develop standards that support public interest considerations:</td></tr>
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	2010-2013	2013-2017	2017-2020
Ontario response	• Conceptual framework is an important priority • Support expanding the application of PSA handbook to not-for-profit organizations • Distinguish funds received for operations from those received for capital investment (i.e. Government Transfers and DCC) • Do not issue standards which will impact sound public policy decision • Ensure that changes in standards enhance public understanding of public sector finances • Reconsider the broadening of mandate (i.e. do not expand mandate to include non-financial reports) * The response was provided on the Deputy Minister's letterhead	• Mission statement of PSAB's TOR and the mission statement communicated in the ITC are inconsistent (i.e. mission should emphasize and link decision-making and accountability to the objective of developing standards) • Acknowledge and emphasize the impact that accounting standards can have on decisions under balanced-budget legislation • Conceptual framework should remain a priority • Supportive of PSAB's objective for improved stakeholder engagement and urge PSAB to make its meetings open to the public (like GASB and IPSASB) • Supportive of PSAB's strategy to participate in and influence development of international public sector standards • Identify ways to improve due process (leverage lessons learned from the challenges encountered in developing standards on Government Transfers and Financial Instruments) • Postpone the effective date of Government Transfers in order to address Sr. Gov't concerns * The response was provided on the ADM & Provincial Controller's letterhead	
Common themes from all responses	• Responses provided by five Sr. Gov'ts: CA, NL, NS, ON and SK • Conceptual framework is an important priority (resources should be dedicated to it ahead of other priorities) • Concern that the plan was approved before it was shared with the broader stakeholder population for comment (feedback should have been sought prior to taking the plan to PSAB and AcSOC for approval)	• **Only four responses** received by PSAB: - BDO Canada - OPCD - Hydro Québec - Québec Provincial Controller • Conceptual framework is an important priority • In general agreement with the strategic plan • BDO is concerned that PSAB's treatment/focus of NFPO is inadequate (still too focused on Sr. Gov't) • Both ON & QC discourage PSAB from expanding scope to include non-financial reports	