

September 30, 2019

Michael Puskaric, MBA, CPA, CMA
Director, Public Sector Accounting
Public Sector Accounting Board
277 Wellington Street West
Toronto, ON M5V 3H2

Re: Consultation Paper 2 - Reviewing PSAB's Approach to International Public Sector Accounting Standards

Dear Sir,

Thank you for the opportunity to comment on the above-noted document. MNP LLP is one of Canada's largest chartered professional accountancy and business advisory firms, with a significant focus on clients in the public sector. We believe that we are well positioned to provide feedback on this important issue.

We have reviewed the Consultation Paper and have provided our response to the specific question noted below.

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

In our view *Option II: Adapt IPSAS principles when developing future standards* best meets the Canadian public interest when considering the following Public Sector Accounting Standards Board's ("PSAB") evaluation criteria:

- Canadian control and influence over the standard-setting process;
- High-quality standards;
- Transition costs;
- International alignment; and
- Due process.

Canadian control and influence over the standard-setting process

The Canadian public sector environment has multiple levels of governments and public sector entities, including, but not limited to, federal, provincial, municipal and other local governments; Indigenous governments; government not-for-profit organizations; other government organizations; government partnerships; and government business entities. There are a number of governing bodies in Canada that supply funding to these public sector entities and are users of these entities' financial statements, such as the Department of Indigenous Services Canada, Crown-Indigenous Relations and Northern Affairs Canada, and various provincial ministries. These governing bodies have specific financial reporting

requirements in order to assess the financial affairs of the public sector entities. Changes in public sector accounting standards could significantly impact the nature and presentation of the financial information received. With adoption of Option II, PSAB will continue to have the control and influence over the standard-setting process to ensure the financial reporting needs within the Canadian public sector environment are always the first priority.

High-quality standards and transition costs

We assess Canadian public sector accounting standards (“PSAS”) to be a high quality financial reporting framework with appropriate focus on the Canadian public sector environment. However, we believe that moving to a system of considering and adapting, where appropriate, IPSAS principles for future Canadian public sector accounting projects will help to increase overall efficiency and quality of the standard setting process. As the approach under Option II is prospective in nature, we believe it will not impose an undue burden nor significant transition costs to entities in the public sector. In addition, the adoption of Option II should facilitate the acceleration of the release of standards.

International alignment

While there is not necessarily a need for comparative financial statements on an international level for the majority of Canada’s public sector entities, PSAB can still benefit by looking to principles within the international public sector accounting standards (“IPSAS”) prior to adopting new standards in Canada to assess how adopting an international standard has impacted countries similar to Canada.

Due process

Although PSAB may currently assess international standards as part of its deliberations on proposed amendments to PSAS, we believe formalizing this process as a required part of its existing robust due process would be beneficial. Given the International Public Sector Accounting Standards Board’s equally robust due process, PSAB may be able to create opportunities for efficiencies in its own due process.

Overall, we believe that IPSAS should not be ignored, but PSAB can continue to consider international best practices while ensuring Canadian public sector entities’ interests are prioritized. PSAB should ensure that its adaptation of IPSAS is done with a Canadian focus in mind. Having PSAB continue to develop standards specifically for Canada will best meet the Canadian public interest by continuing to ensure that Canadian perspectives influence the standard-setting process and stakeholder concerns are addressed. It will also allow for consistency in the process currently in place for obtaining feedback from stakeholders prior to new standards being issued.

We would be pleased to offer our assistance to the PSAB in further exploring issues raised in our response or in finding alternative solutions to meet financial statement users' needs.

MNP LLP is one of Canada's largest chartered professional accountancy and business advisory firms. Our clients include small to mid-size owner-managed business in agriculture, agribusiness, retail and manufacturing as well as credit unions, co-operatives, Indigenous communities, medical and legal professionals, not-for-profit organizations, municipalities and government entities. In addition, our client base includes a sizeable contingent of publicly traded companies.

Yours truly,

MNP LLP

Jody Mackenzie

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Director, Assurance Professional Standards