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Evaluation of International Public Sector Accounting Standards Board Contribution Program

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Executive Summary

Study Objective

This evaluation study was designed to provide feedback on the relevance and performance of the five-year International Public Sector Accounting Standards Board (IPSASB) contribution program, which is being considered for renewal subsequent to March 2011.

Background

In August 2006 the Treasury Board of Canada approved the terms and conditions for a contribution program supporting the activities of the IPSASB. The IPSASB is an independent board of the International Federation of

Accountants (IFAC) which has a mandate to issue international public sector accounting standards (IPSASs). The objectives of the IPSASB contribution program are to: 1) further the development of international public sector accounting standards; and 2) increase the visibility of Canada in the setting of these standards, in part by relocating the IPSASB Secretariat to Toronto.

Under this program, the Government of Canada contributes \$200,000 annually to the standards development activities of the IPSASB, for a total of \$1 million over the five-year period ending March 31, 2011. A parallel contribution also was made by the Canadian Institute of Chartered Accountants (CICA) to achieve the same objectives.

The Financial Management Sector (FMS) within the Office of the Comptroller General (OCG), Treasury Board Secretariat (TBS) administers the contribution program on behalf of the Government of Canada. In accordance with the federal government's Evaluation Policy, an evaluation study was required to assess the relevance and performance of the program, and to provide feedback regarding the extension of the program subsequent to FY 2010-11.

The evaluation study was carried out by Kelly Sears Consulting Group on behalf of the Financial Management Sector and the Internal Audit and Evaluation Bureau. The study was launched in September 2010 and completed in January 2011. The evaluation involved key informant interviews with representatives of Treasury Board Secretariat, the IPSASB and several stakeholders, along with an extensive review of background documents, file information, IPSASB publications and the international literature on public sector accounting standards.

Conclusions

The IPSASB contribution program has made good progress in achieving most of its intended outcomes. The main conclusions of the study are the following:

- In the past five years IPSASB has completed the development and publication of a full set of 31 accrual basis standards and updated its cash basis standard and guidance documentation.
- The level of engagement of the global community in improving public sector accounting standards has steadily increased over the past several years as measured by the year-over-year level of participation in the IPSASB standards development process and the significant continuing engagement of such international organizations as the International Monetary Fund, G 20, and World Bank.
- IPSASB has partially achieved its intermediate outcome of member countries adopting and implementing accounting standards. This is an on-going process. Over eighty countries have engaged in pursuing the implementation of accrual based standards equivalent or similar to those published by IPSASB during the past ten years.
- The combined financial contributions made by the Government of Canada and the CICA have been a key factor in stabilizing the funding and advancing the work of the IPSASB at a critical time in its evolution.
- The IPSASB contribution program together with the parallel funding from the CICA have directly influenced the participation of Canadian public sector institutions and stakeholders in the development of high quality public sector accounting standards.
- Although Canada has been highly influential in the world of public sector accounting standards, the TBS contribution program has not been as publicly recognized. There is little evidence of increased visibility for the Government of Canada.
- There is a significant net benefit to Canada arising from the IPSASB contribution program, the office relocation to Toronto along with the co-location with the CICA.
- The terms and conditions of the contribution agreement were appropriate to the risk. Using existing IFAC accountability instruments for reporting provided TBS with an efficient and sufficient means of oversight of the contribution program spending.
- At the time the IPSASB contribution program was initiated it was fully aligned with the federal government's agenda of the day. While political imperatives such as economic stimulation and deficit reduction now dominate the agenda, accountability remains a cornerstone of the Government of Canada's priorities and is highly relevant.
- The IPSASB contribution program is complementary to the support provided to IFAC by the CICA, international organizations and, to a lesser extent, world governments. Funding for IPSASB activities from outside sources, although increasing, remains a challenge. The support from the CICA does not duplicate or work at cross purposes with the Government of Canada's funding support.
- There is a strong rationale for continuing some level of support by the Government of Canada which would complement the CICA funding in support of the investment by IFAC in its Canadian operations.

Recommendations

1. The Government of Canada via TBS should continue providing financial support to the IPSASB's international public sector accounting standards activities.

2. TBS should continue to collaborate with the CICA and the Public Sector Accounting Board (PSAB) to engage the Canadian public sector accounting community and stakeholders in the development of high quality global accounting standards.
3. In considering the objectives of the funding arrangement subsequent to 2010-11, the TBS should consider requesting that IPSASB commission an independent study on the constraints and benefits from adoption of IPSASs at the national, state and local government level.
4. TBS should encourage the IPSASB to increase public communications and consultation processes in the French language to reflect the bilingual status of Canada.
5. TBS should develop a communication strategy in support of Canada's contribution in the development of public sector accounting standards and encourage the IPSASB to proactively communicate the extent and benefits received from the Government of Canada.

I Introduction

The Financial Management Sector (FMS) of the Office of the Comptroller General (OCG), in association with the Internal Audit and Evaluation Bureau (IAEB) of the Treasury Board Secretariat (TBS), was responsible for conducting an evaluation of the International Public Sector Accounting Standards Board (IPSASB) contribution program. The IPSASB is an independent board of the International Federation of Accountants (IFAC). Under this program, the Government of Canada contributes \$200,000 annually to the IPSASB, for a total contribution of \$1 million over the five-year period ending March 31, 2011.

The evaluation study was designed to provide feedback on the relevance and performance of the five-year IPSASB contribution program which is being considered for renewal subsequent to March 2011. As such, in keeping with the terms and conditions of the Treasury Board approval of the program and in accordance with the Government of Canada's Policy on Evaluation (2009), the objectives of the evaluation study were to assess:

- The extent to which the program is achieving its expected outcomes, including the participation of the Government of Canada in IPSASB activities.
- The effective utilization of program resources in relation to the outcomes of the program.
- The relevance of the program to: 1) federal government priorities, and 2) TBS priorities.

The study was conducted by Kelly Sears Consulting Group under the direction of the Financial Management Sector of the OCG (the "Project Authority") and with the stewardship of IAEB. The first phase of the study involved the preparation of an evaluation framework report. This report was based on a review of documentation provided by the Project Authority and consultation with TBS managers. It provided a concise description of the program, specified the program's objectives/intended results, outlined the set of evaluation issues and questions, and described the evaluation methodology. The subsequent evaluation phase involved interviews with representatives of IPSASB and other stakeholders, together with a review of documents and relevant literature on public sector accounting standards.

The evaluation commenced in September 2010 and was completed in January 2011.

II Evaluation Issues and Methodology

A. Evaluation Issues

The terms of reference for the evaluation study specified that it address issues pertaining to relevance and performance to provide context for the extension of the contribution program subsequent to 2011.

During the planning phase, background documentation was reviewed, information on the activities of IPSASB was accessed via the IFAC and IPSASB websites and preliminary interviews were conducted with TBS officials. This work enabled the key evaluation issues and questions to be identified, which were described in an evaluation framework report and are outlined below.

Performance: Achievement of intended outcomes

1. To what extent is the Government of Canada contribution program furthering the development of international public sector accounting standards?
2. Has the IPSASB contribution program increased the participation and visibility of the Government of Canada in the setting of international public sector accounting standards?

3. To what extent has the funding provided under the contribution program contributed to the achievement of IPSASB outcomes?

Effective utilization of resources in relation to the outcomes of the program

4. Is the IPSASB contribution agreement an economical use of public resources?

5. Are the administrative activities of the OCCG well executed so as to maximize the benefits of the contribution program and are changes required to enhance the administration of the IPSASB contribution agreement?

Relevance

6. To what extent is the Contribution Program aligned with federal governmental priorities?

7. To what extent does the IPSASB contribution program complement, duplicate/overlap or work at cross purposes with other financial support for the development of international accounting standards?

8. Is there a rationale for continued Government of Canada funding for IPSASB?

B. Methodology

The evaluation matrix (evaluation issues, measurement indicators and data sources) is included in Appendix A. The main data collection methods were the following:

1. Document and Literature Review

The purpose of this method was to provide the evaluation team with an understanding of the activities and accomplishments of the IPSASB and also provide information and data to help respond to the evaluation issues. These included:

- Terms and conditions of the IPSASB Contribution Program.
- Quarterly progress reports submitted by IPSASB to the Financial Management Sector, TBS.
- Information available on the IPSASB website.

2. File Review

We reviewed the files pertaining to the administration of the contribution program. These included all of the compulsory submissions made by the IPSASB to TBS. In particular we were looking for information that helps to describe the ongoing activities and accomplishments of the IPSASB.

3. Interviews with Key Informants

We interviewed key informants knowledgeable of the history, mandate and operations of the IPSASB and its current activities. Interviewees included individuals involved in establishing the IPSASB contribution program and engaged in public sector accounting standards and IFAC management based in Toronto. These interviews provided input on questions relating to; a) the context in which IPSASB operates today, b) the results achieved to date, c) the challenges met and, d) the required improvements or potential alternatives to the program. A complete list of key informants is included in Appendix B and the interview guide is found in Appendix C.

C. Challenges and Limitations

Several factors, including the relative simplicity of the contribution program, its low level of risk, and the high degree of cooperation received from TBS managers, the IPSASB and other external key informants facilitated the timely and successful completion of this study. Some challenges and constraints were encountered and were, for the most part, successfully overcome. These were as follows:

- The evaluation was conducted during the final year of a five-year arrangement. Thus some of the potential benefits arising from the arrangement are not yet fully realized.
- There is limited data regarding international adoption of standards published by IPSASB. The evaluation study however, was able to collect some data on this key indicator.
- The limited resources devoted to this evaluation precluded extensive consultation with the public sector standards community internationally.
- An effectiveness evaluation study attempts to assess the incremental impacts of the program under study, i.e., the impacts that would not have occurred in the absence of the program. This question is challenging in the case of the IPSASB contribution program. The IPSASB has several intended impacts/outcomes, which are depicted in a logic model that was developed during the evaluation. It is not possible to directly

attribute any positive trends in the impact of IPSASB activities on the international adoption of public sector accounting standards solely to the IPSASB contribution agreement given that the Government of Canada is one of several organizations funding the IPSASB, plus the fact that other factors influence the achievement of this outcome. However, the study was able to arrive at conclusions regarding the impacts of the combined IPSASB contribution program and CICA funding in other areas (e.g., increased visibility for Canada's contribution to international public sector accounting standards).

III Profile of IFAC and IPSASB and the IPSASB Contribution Program

A. About IFAC and the IPSASB

1. Background on IFAC

The International Federation of Accountants (IFAC) is a worldwide association of accounting professionals and organizations. Its mission is to serve the public interest by continuing to strengthen the worldwide accountancy profession and contribute to the development of strong international economies by:

- Establishing and promoting adherence to high-quality professional standards.
- Furthering the international convergence of such standards.
- Speaking out on public interest issues where the profession's expertise is most relevant.

2. History of Public Sector Accounting Standards Development

In 1986, IFAC set out a public sector group, originally named the Public Sector Committee, with a mission to focus on the specific needs of this sector. The mandate of the Committee was to develop programs for the improvement of public sector financial management and accountability, including financial reporting, auditing, corporate governance, and management accounting. By 1996, following considerable background work, the Public Sector Committee embarked on a standards program directed at developing International Public Sector Accounting Standards (IPSASs) for financial reporting.

The actual standards development work began in 1997. The initial phase involved converting several of the private sector standards (International Accounting Standards (IASs)) published by the International Accounting Standards Board (IASB). The process used by the IPSAS technical working group was to review the private sector standards and revise these standards to the extent appropriate for the public sector. This phase of the public sector standards development program was funded by the IFAC, the Asian Development Bank, the International Monetary Fund (IMF), the United Nations Development Programme (UNDP), and the World Bank, and was completed in 2002.

3. Establishment of IPSASB

In 2004, IFAC moved to establish an independent Board – the IPSAS Board – with revised terms of reference to reflect that the mandate of the Board would focus on issuing International Public Sector Accounting Standards (IPSASs). This development followed the model that had been established by the private sector accounting standards body.¹ Further details on the mandate, membership and operations of IPSASB can be found in Appendix D.

The IPSASB functions as an independent standard-setting body under IFAC. It achieves its objectives by:

- Issuing International Public Sector Accounting Standards (IPSASs).
- Promoting acceptance of IPSASs and international convergence to these standards.
- Publishing other documents which provide guidance on issues and experiences in financial reporting in the public sector.

Resource constraints at the time meant deferring a large portion of the IPSASB convergence project. The main resources were dedicated to improving the public sector standards already developed, initiating projects on employee benefits and impairment of cash generating assets. The IAS Improvement Project focused on updating 11 IPSASs issued in 2003. The updated IPSASs were approved by the IPSASB in November 2006.

However at the same time the renewal program of global accounting standards, initiated by the International Accounting Standards Board (IASB), was moving rapidly ahead with an extensive work program that included issuing new International Financial Reporting Standards (IFRSs) (including interpretations) as well as revising and updating existing IASs. Given the rapid progress of the IASB in developing and publishing private sector accounting standards – the IASB was well financed and directed by a full-time board – and the relative lack of resources of the IPSASB, a significant gap developed between the private and public standards. The link,

previously established between the IPSASs and IFRSs, was being eroded and the IPSASB was then in a position of playing "catch-up."

At this juncture, the IPSASB secured new funding, largely from the Government of Canada (the IPSASB contribution program), and a proportionate grant from the CICA. The CICA funding is referred to as "in-kind" funding but in fact is a five-year \$C200,000 per year transfer to the IFAC. A CICA representative indicated that the funding is earmarked for a salary of an IFAC technical manager directly engaged in the IPSAS development process.

B. Background and Rationale for the IPSASB Contribution Program

In August 2006 the Treasury Board of Canada approved the terms and conditions for a contribution program supporting the IPSASB. The purpose of the contribution program was to further the development of international public sector accounting standards and to increase the visibility of Canada in the setting of these standards.

The main aspects of the rationale for the contribution program are as follows:

- Financial reporting standards are moving towards international convergence. The standardization of accounting guidance for private sector accounting standards is well advanced, and it is widely acknowledged that standards for the public sector should follow suit.
- IPSASB is one of four standard-setting boards under the International Federation of Accountants (IFAC) and is responsible for establishing international accounting standards for the public sector. IPSASB addresses the accounting and financial needs of governments by issuing and promoting benchmark guidance, conducting educational and research programs, and facilitating the exchange of information among accountants who work in the public sector or rely on its work.
- The Office of the Comptroller General (OCG) within Treasury Board Secretariat (TBS) is responsible for researching, recommending and implementing the Government of Canada's accounting policies and financial reporting standards government wide. High quality financial reporting standards are an important component in achieving federal accountability.² The IPSASB was facing resource constraints which were expected to negatively affect its ability to progress with the development of international standards.

The IFAC was also seeking a new location for the IPSASB Secretariat which was located in Australia. The federal contribution, along with a corresponding grant from the Canadian Institute of Chartered Accountants (CICA) was intended to influence IFAC's decision to relocate the IPSASB secretariat to Toronto.

With this decision Canada became one of a few countries to provide ongoing funding to the IPSASB, thus focusing attention on, and providing leadership for many items on the IPSASB agenda. This was particularly important at early stages in the development of global public sector accounting standards. It demonstrated continued leadership of Canada at the IPSASB level. Currently the VP Standards, CICA and the Auditor General of Canada are IPSASB members.

C. Resources

The contribution program provides an annual contribution to the IPSASB of \$200,000 commencing in 2006-2007 and ending in 2010-11, for a total cost of \$1,000,000. As per the terms and conditions of the agreement between the Government of Canada and IFAC dated January 18, 2007, quarterly payments are made to the IFAC on behalf of IPSASB.

The purpose of the funding as stated in the quarterly correspondence (invoice) to the OCG from IFAC was "to facilitate the development of International Public Sector Accounting Standards (IPSASs)." From the wording in this correspondence it can be assumed that the funds were directed toward the general program activities of IPSASB and not to any specific project or activity.

The correspondence accompanying the quarterly invoice for payment notes that the IPSASB budget and actual expenditures exceeds the amount of the grant provided by the Government of Canada. IFAC meets the balance of the expenditure with grants from other governments and international organizations and from its own revenue sources.

The annual budget of the IPSASB in 2009 was \$US1.7 million. The Government of Canada contribution represents approximately 15 per cent of the IPSASB's annual budget. Revenues from sales of products and grants from other governments, international organizations (e.g., the World Bank) and the accounting industry comprise the balance of the budget. The IPSASB quarterly budget shows that approximately 80 per cent of the budget is expended on salaries, consultants and travel.

The invoice is also accompanied by supporting documentation; a copy of the IPSASB Financial Statement (for the period in question) signed by IFAC's Director of Governance and Operations (chief financial officer); a copy

of the IPSASB budget for the year in question (cash expenditures for the quarter); and, a copy of the IPSASB's report on activities for the period.

D. Governance

The roles and responsibilities of the key players involved are set out in the Risk-based Audit Framework section of the terms and conditions and are as follows:

- OCG is responsible for annual financial monitoring of the recipient's compliance the terms and conditions. The Comptroller General or designate is responsible for expenditure initiation and contract performance.
- The Corporate Services Sector (CSS) is responsible for ensuring that the contribution payments comply with TBS policy requirements, both in their approval and their administration, which includes Section 33 payment processes.
- TBS Internal Audit's role is to provide assurance on the adequacy of integrated risk management practices, management controls and frameworks and information used for decision making and reporting on the achievement of the overall project objectives. Based on a risk assessment undertaken by IAEB at the time the agreement was established, it was concluded that the risk profile of the Program was low

E. Logic Model

A logic model for the IPSASB contribution agreement was prepared based on the review of documents and is presented in Figure 1.

Figure 1: IPSASB Logic Model Contribution Program

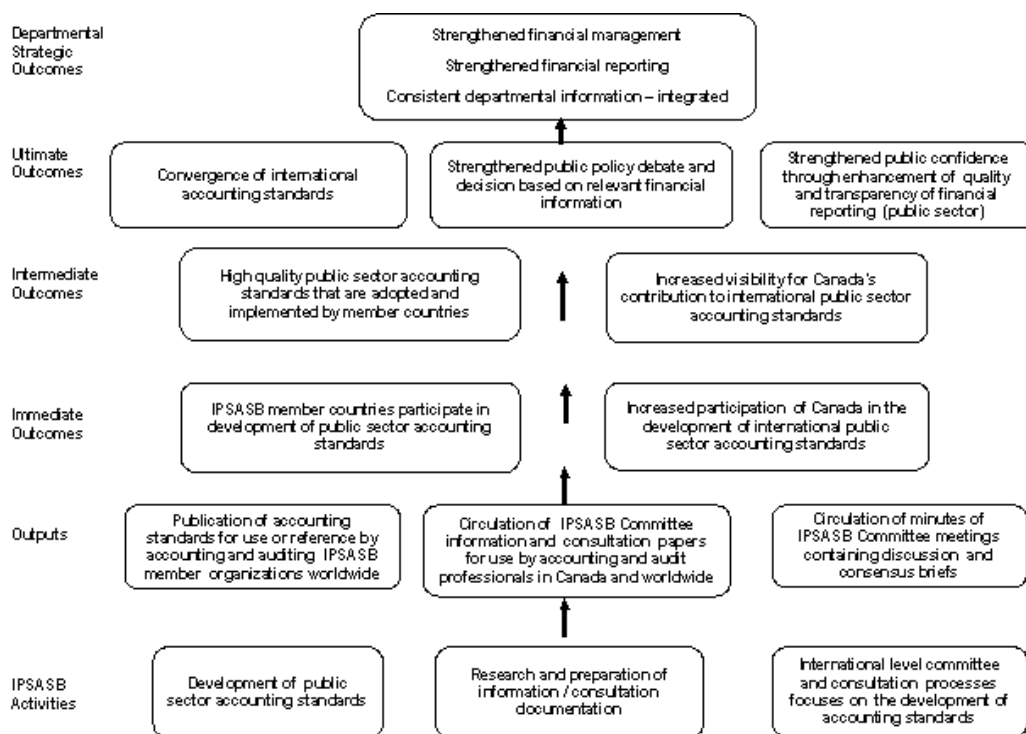


Figure 1 - Text version

IV Findings

This section presents the findings in relation to the issues specified in section III. The findings are presented for each of the three main categories of issues:

- Performance: Achievement of intended outcomes.
- Effective utilization of resources.
- Relevance.

As outline earlier, each issue category includes specific evaluation questions. Findings and conclusions for each are presented below.

A. Performance: Achievement of Intended Outcomes

1. Participation in IPSASB Activities

Findings

Over the past five years, IPSASB has focused its efforts on finalizing a complete set of public sector accounting standards. This work has included modifying ("convergence" in standards terminology) private sector standards to meet the public sector context and developing standards unique to the public sector.

The IPSASB Board and its staff have also expended considerable efforts in building worldwide networks aimed at enhancing the promulgation and adoption of the newly completed package of public sector accounting standards. Records on direct participation of public sector stakeholders, including government bodies and international organizations, are not readily available. However, proxy measures on country and organizational participation and other performance information are presented below.

The IPSASB Board and staff developed communication and engagement strategies that involved representation to accountancy professionals, partnerships with national standards setting bodies (for Canada, the Public Sector Accounting Board (PSAB)) and direct engagement with public sector institutions. The IPSASB and its staff actively engaged these key stakeholder communities worldwide on a regular basis. IPSASB members and staff took on the responsibility to represent IPSASB on program issues and in specific regions. Their responsibilities included networking, attending stakeholder meetings, presenting program findings – with the goal of furthering the mission of the Board.

The Chair of IPSASB reports quarterly to the IFAC Board on international relations and communications matters related to this engagement strategy. For example, the IPSASB Board Quarterly Report to the IFAC Board Meeting dated June 2010 lists performance for each of the Board's three outreach activities: presentation and participation in relevant events and meetings; development/maintenance of relationships with key stakeholders; and development of public policy positions and external submissions. The performance information for these activities was reported as "on target" with the plan for the reporting period. The IPSASB Quarterly Report also provided details of sixty engagements (e.g., meetings, presentations, etc.) by the Chair, Board members and staff for the reporting period.³

The IPSASB has also actively participated in a network of national public sector standard setting bodies (e.g., PSAB) which partner in the development of standards (IPSASs), guidelines, public sector specific issue reports, and assist in furthering the goal of improving accounting standards and public sector reporting.

A second source of performance information on participation, which corroborates the above point, is found in the "*Report on the Operations of the IPSASB*" by H. Wilkinson.⁴ This evaluation report, dated April 2009, was commissioned by the World Bank in conjunction with IFAC, and was presented to the IFAC Board meeting of September 2009. In his evaluation report Mr. Wilkinson presented details and outlined the progress achieved by the IPSASB in relation to its outreach and communications strategy found in the IPSASB Strategic Plan (2007-09). Details are presented on the activities resulting from this IPSASB strategy which included:

- An impressive "outreach program" of delivering talks on the IPSASs and attending seminars around the world, led by the IPSASB Chair with participation of other Board members.
- An extensive network of contacts with other professional organizations and bodies, including IASB, resulting in increased co-operation in technical areas.
- A reasonably informative website, providing information similar to that of other standards setters.
- A newsletter with high readership (i.e., the IPSASB eNews bulletin).

The Wilkinson report includes some minor suggestions for improvement including: issuing a formal annual report; providing regular updates of activity planning and reporting on the IPSASB website; present links to the financial statements of entities that have adopted IPSASs; and, pursue more opportunities for articles in journals on IPSASs.

IPSASB management have advised that the Wilkinson recommendations were endorsed by the IPSASB Board. The IPSASB managers interviewed confirmed that an action plan was adopted and was, for the most part, implemented.⁵

A third source of performance information is the IPSASB's other communications activities, including the circulation of the IPSASB newsletter – called "eNews." Information provided by IPSASB show that there were approximately 22,000 subscriptions to the newsletter as of November 2010. Activity data for the IPSASB website show 11,000 page views for the Oct. 24, 2010 to Nov. 23, 2010 period. Year-to-date data (January to

November 2010) show that the total page views was 100,600. This website contains all IPSASB published material including the 31 accrual and one cash basis accounting standards (available for download free of charge); along with guidelines, results of consultations on standards, etc. Finally, with respect to performance on participation, the key informants interviewed expressed satisfaction with the current IPSASB outreach and engagement strategy.

An identified shortcoming of the website is that much of the content is available in English only. This is partially overcome by a World Bank program which has sponsored the translation and printing of IPSASs in several languages. Authorized translations of standards have been made into many languages, including French, Spanish, German, Chinese, Czech, Italian, Japanese, Arabic and several others. Important for Canada is the fact that the latest French translation for IPSASs is dated 2007 and other significant information is not available in French. While these translations assist in distributing standards and aid implementation, they do not fully address the impact on participation in the standards development process which appears to be conducted in English only.

The IPSASB website also provides information papers on public sector accounting in a variety of countries, including Argentina, France, New Zealand, the UK and the USA. A notable exception is a description of public sector accounting in Canada.

In terms of future plans for IPSASB communications and engagement activities aimed at promoting the adoption and implementation of IPSASs, the 2010-12 work plan will involve continuing to promote the global adoption of IPSASs, with communication activities being a key strategic focus. The program will focus on finance ministers, government auditors, national standard setters and key strategic partners (OECD, World Bank, IMF, etc.). In addition, "Study # 14 - Transition to the Accrual Basis of Accounting: Guidelines of Governments and Government Entities" was recently updated to provide implementation guidance for countries in transition to accrual basis accounting.

Conclusions

The level of engagement of the global community in improving public sector accounting standards has steadily increased, as measured by the year-over-year level of participation in the IPSASB standards development process and the significant engagement of international organizations with IPSASB.

Language issues, however, remain a challenge with all consultations based solely on English language drafts.

Joint initiatives with such prestigious organizations as the IMF, G20 and IASB are evidence of the maturity and progress at the world level. Overall engagement in the development of standards has also increased, with steady progress in worldwide participation levels. The number of national, regional and local governments and international organizations adopting accrual based accounting standards or endorsing IPSASs is steadily growing.

2. Adoption & Implementation of IPSASs

Findings

With long-term stable funding secured through the contribution agreement and funding from the CICA in 2007, the IPSASB was in a position to undertake a more robust standards development program. By 2009, the "convergence project" had resulted in an expanded and updated set of 31 accrual standards and an updated cash basis standard. The completion of this project resulted in what is referred to as a complete "stable platform" of IPSASs, or second generation IPSASs.

The key informants we interviewed, which included several experts in the field of public sector accounting standards, acknowledged the challenge in accurately measuring the adoption and implementation rate of IPSASB standards.

Prior to dealing with adoption rates, it is important to detail the adoption and promulgation strategy used by IPSASB since the outset of this activity in 2002. The first set of public sector accounting standards was developed by IPSASB in partnership with the World Bank. This development was in support of World Bank efforts to refinance the economies of several Asian countries. This partnership strategy, in a broader context, continues to be pursued by IPSASB. The Board continues to partner with international public sector institutions engaged in governance, finance, development, and military activities. These international institutions and organizations have adopted or promoted the promulgation of IPSASs as part of their own financial reporting activities (i.e., these organizations use IPSASs in the preparation of their financial statements) or in conjunction with program delivery activities. The international organizations include the World Bank and International Monetary Fund, while intergovernmental organizations include the United Nations, OECD, NATO and other geographic / country groups (e.g., the European Union).

A good example of the usage of IPSASs is in the context of international financing programs. The World Bank has endorsed IPSASs, and as part of its financing program requires public sector institutions to adopt IPSASs over a transition period as a condition to loan approvals. IPSASs are thus a requirement for accounting and financial reporting by recipients. This approach has significantly increased the use and perceived relevance of IPSASs. It is viewed as a significant contribution to improving financial reporting, decision-making and governance by both IPSASB managers and other key informants interviewed as part of this evaluation. Below is a list of intergovernmental organizations that have adopted, or plan to adopt, IPSASs for financial reporting or programming activities.

Table 1: IPSAS Adoption by Intergovernmental Organizations

- Commonwealth of Nations - Intended to adopt by 2008-09*
- Council of Europe - Adopted in 2007
- European Communities - Adopted (similar to IPSAS) in 2005
- European Organization for the Exploration of Meteorological Satellites (EUMETSAT) - Intends to adopt by 2013
- Interpol - Adopted in 2007
- NATO - Adopted in 2006
- Organization for Economic Cooperation and Development - Adopted in 2000
- United Nations System (UN, UNDP, UNICEF, UNHRC, FAO, ICAO, ILO, UNIDO, UNESCO, WHO, IAEA, OPCW, WTO, WMO) - Intends to adopt in 2010

* Unable to confirm whether Commonwealth of Nations has adopted IPSAS.

Source: Information compiled by World Bank staff and retrieved from Wikipedia:

[International Public Sector Accounting Standards](#)

The Asian Development Bank, the European Commission, Eurostat, the International Accounting Standards Board, the International Monetary Fund, the International Organization of Supreme Audit Institutions, the Organization for Economic Cooperation and Development, the United Nations, the United Nations Development Program, and the World Bank all have observer status at IPSASB. Observers attend Board meetings and have full rights of the floor, although they do not vote on the IPSASB standards and other documents.

A study released in 2010 by Ernst & Young and conducted in association with the Accounting Research Public Sector Centre of Ghent University examined the extent of (IPSASB inspired) accrual accounting in different governments in European countries, including an examination of future plans.⁶ The study found that only three local and four central governments reported that they had used IPSASs as a starting point of new government accounting. Local governments, which continue to use cash basis accounting, are not looking to IPSASs; however, national governments aspire to use IPSASs in the near future and see them as the "gold standard."

IPSASB does not publish or maintain up-to-date records on adoption rates but some information on country adoption status, based on reports received from public sector institutions, is maintained by IPSASB staff. In addition, the World Bank occasionally tracks public sector adoption of IPSASs by country. These results, although imperfect, are based on survey work and on information found on the IPSASB pages on Wikipedia. This information is summarized in Table 2.

Table 2: Adoption of IPSASs (Accrual and Cash Basis) by Country

Classification of Adoption Status	Number of Countries
Adopted cash or accrual basis IPSASs	23
Adopted cash, process in place for accruals	5
Process in place for IPSAS accrual basis	37
Processes under consideration for IPSAS accrual basis	9
Process in place for cash with plans for accruals	9
Total	83

Source: Information compiled by World Bank staff and published on Wikipedia: [International Public Sector Accounting Standards](#)

This information shows that 83 countries have either adopted, are in the process of adopting, or have used IPSASs as a basis for developing national public sector accounting standards. IPSASB-supplied information provides "self-reported" information from countries which have adopted or are in the process of moving to accrual basis accounting. This information reveals progress in implementing IPSASs by major economies, including China, Brazil, India, and Russia and smaller but significant economies including Switzerland, Israel, and South Africa.

The Wilkinson report also addressed the issue of adoption of IPSASs. The report concluded that, based on information provided by IPSASB, over 50 countries by 2009 had taken steps to adopt IPSASs or use IPSASs in some way in developing financial reporting for their public sector. The Wilkinson Report also recognized the importance of the adoption and promulgation by a number of international organizations, including the OECD and the European Union.

The factors slowing the adoption of IPSASs are also addressed in the Wilkinson report. These include the lack of a complete set of public sector standards, translation issues, extra work steps, significant documentation requirements associated with the accrual basis standards, the differences between current public sector standards and IPSASs, and the lack of a conceptual framework. Wilkinson identified that the reluctance of governments to move to accrual basis accounting and reporting standards was the most significant impediment. He also notes that adopting and implementing new accounting standards often requires time-consuming legislative changes. Finally, Wilkinson concluded that "by most criteria the adoption of IPSASs was an impressive record, especially given that the adoption of standards is a voluntary act, in most cases requiring changes in legislation." Key informants interviewed during the present evaluation confirmed that progress on adoption was and will continue to be a challenge. Like the Wilkinson Study and the Ernst & Young report, they agree progress, albeit slow, is steady and in the right direction.

IPSASB representatives and other key informants stated that many of the other factors have been or are being addressed to the extent possible by IPSASB. For example, IPSASB staff confirmed that a full set of public sector standards (IPSASs) is now in place (as of 2009), translations are available in several languages, and many technical issues associated with converting to accrual basis accounting, including updating guidelines for implementation, have been addressed.

Looking forward, key informants noted that the challenge to broader and more rapid acceptance of IPSASB published standards is the need for a solid foundation to underpin future standards development and to guide implementation decisions. They also agree that the IPSASB conceptual framework project, now fully launched with an expected completion in 2011, will address this issue and could lead to improved standards and substantive progress on implementation of IPSASs. Key informants noted that one of the current limiting factors is the lack of support resources, both information and guidance, for smaller, more isolated national governments and public sector organizations. It was suggested that IPSASB invest in an outreach program to assist these public sector institutions. This may be achieved as an extension to the networking activities noted above. Networking would both spread the workload and would also support the opportunity to provide the required outreach services in a variety of languages.

In addition, a few countries – Canada being a key example – have well established public sector accounting boards, oversight committees and high quality standards equivalent or superior to those published by IPSASB. Key informants noted that the Canadian experience, especially in a complex multi-jurisdictional environment and that of other leading countries (including New Zealand, the US, and the UK), provides a useful means of influencing IPSAS development and implementation worldwide, as does the current economic crisis, the consolidation of debt, and the need for comparability within the public sector through increased transparency of financial reporting.

Conclusions

IPSASB has partially achieved its intermediate outcome of member countries adopting and implementing accrual-based accounting standards. This is an ongoing process. Over eighty countries have engaged in pursuing the implementation of IPSASB's accrual-based or similar standards during the past ten years.

3. Canadian Participation

Findings

The key informants and documentation from the CICA and PSAB provide insight into past and future Canadian participation in IPSASB activities. Canadian participation began when IFAC first established a public sector standing committee – the Public Sector Committee (PSC) – in 1986. Former Auditor General Kenneth Dye was appointed the first chair of the IFAC Public Sector Committee (PSC), the predecessor to the IPSASB. Canadian leadership at this level has been continuous since the outset. Currently two Canadians, the VP of Standards for the CICA and the Auditor General of Canada, are IPSASB board members. Canada is currently the only country to have two board members. Key informants suggest that this recognition is indicative of the status achieved by Canada within the world community of public sector accounting.

At the national level, Canada's participation in the IPSASs standard-setting process has been consistent. PSAB, several provincial government agencies (notably British Columbia and Quebec), the CICA, the Government of Canada (TBS/OCG) and, the Office of the Auditor General have consistently participated in IPSASB standards development. Information on the extent of Canadian participation in the standards development process is outlined in Table 3.

Table 3: Participation in IPSASB Standards Development Process

IPSAS Exposure Draft	Number of Comments Received Worldwide	Number of Comments from Canadian Sources*
Improvements to IPSASs (2010)	8	0
Service Concession Arrangements: Grantor (2010)	33	5
Reporting on the Long-term Sustainability of Public Finance (2009-2010)	32	5
ED 43- Improvements to IPSAS (2009)	10	1
Intangible Assets (2009)	19	2
Entity Combinations from Exchange Transactions (2009)	14	2
Financial Instruments: Disclosures (2009)	0	0
Financial Instruments: Presentation (2009)	30	5
Financial Instruments: Recognition and Measurements (2009)	0	0
Agriculture (2009)	15	2
Conceptual Framework for General Purpose Financial Reporting by the Public Sector Entities (2009)	55	10
IPSAS 5 "Borrowing Costs" (2008-2009)	26	3
Accounting and Financial Reporting for Service Concession Arrangements (2008)	33	6
Social Benefits: Disclosures of Cash Transfers to Individuals or Households (2008)	30	3
Amendments to IPSAS 4. Effects of Changes in Foreign Exchange Rates (2007)	4	0
Financial Reporting Under the Cash Basis of Accounting-Disclosure Requirements for External Assistance (2005)	33	1
Total	342	45

*Includes comments from TBS which provided input on five of the exposure drafts.

Source: Based on information found on [International Public Sector Accounting Standards Board website](#).

Program documentation identifies an opportunity for participation by the Government of Canada to follow the research activities of IPSASB more closely, to possibly serve on IPSASB committees and to ensure that the standards developed are appropriate to the Canadian context. TBS participation has been limited to providing input on select exposure drafts under development which the TBS has deemed relevant to the Government of Canada. Key informants noted that the current level of participation may not be consistent with the intent of the IPSASB contribution agreement.

The CICA actively promotes participation in the IPSASB standards development process and plays an interface role between the IPSASB and Canadian stakeholders. The CICA facilitates Canadian input into the IPSASB standard development process and along with the PSAB reviews and comments on all relevant IPSASB Exposure Drafts (EDs). For example, the CICA actively encourages Canadian stakeholder engagement/participation on IPSAS consultative processes through the Institute's informative website ([Chartered Accountants of Canada](#)) and by broadcasting emails to Canadian stakeholders (governments, professional accounting and finance bodies, audit community, etc.), informing them of ED circulation schedules, time lines, etc. In the opinion of the CICA VP responsible for this file, this process has resulted in increased participation and high quality input from Canadian public sector institutions to the IPSAS standards development process. The data presented above in Table 2 supports this assessment. On many of the draft standards, some twenty per cent of the world input is from Canadian sources.

In addition to the ongoing input to the standards development process, the CICA is attempting to play a key role in the development of the IPSASB's Conceptual Framework project.²

Canadian participation in the development of international standards has contributed to two main outcomes. First, several key informants expressed the view that, over time, Canada's public sector institutions would move toward greater acceptance of IPSASs as the Canadian benchmark. They point to the evolution of private sector standards toward global standards and increased reporting transparency as the basis for these beliefs. Second, Canada's participation will help ensure the best interests and experiences of the Canadian public sector institutions and stakeholders are represented at the global level. In addition the Canadian experience in implementing IPSASs in a complex multi-jurisdictional setting will provide useful lessons learned for complex and rapidly evolving countries such as China with five levels of government.

Conclusions

The IPSASB contribution program together with the parallel funding from the CICA have directly influenced the participation of Canadian public sector institutions and stakeholders in the development of high quality public sector accounting standards. The IPSASB contribution program has been fully leveraged by the CICA: the organization has been able to raise its profile and engagement within Canada and worldwide.

The Auditor General of Canada and a CICA VP are members of the 18 person IPSASB. In addition, CICA leads a significant element of the IPSASB conceptual framework project.

4. Increased Visibility for Canada

Findings

Canada has long been recognized for its leadership in public sector accounting and for quality financial reporting. Key informants confirmed that Canada is one among a small group of leading countries (others include Australia, New Zealand, and UK) that have adopted quality accounting standards, transparent reporting and independent oversight. Also, as noted above, two Canadians are currently serving as IPSASB board members. This leadership and engagement at the international level was a key factor that led to the decision by the Government of Canada and by the CICA to offer significant long-term funding to IFAC in support of the work of the IPSASB board in 2006.

The IPSASB contribution program and funding by the CICA represented the most significant block of external funding for the IPSASB standard development activities. The five-year funding represents approximately twenty per cent of IPSASB's annual budget, and forty per cent of annual funding from external sources. Canada is one of a small group of national governments supporting IPSASB's standards development activities. With this financial support from Canada the IPSASB has completed the update on the full set of 31 accrual standards and one cash basis standard.

Key informants as well as the Wilkinson Report confirm that the funding from the two Canadian sources had a major impact on the output of the IPSASB and a direct impact on the decision by IFAC to relocate the New York and Auckland-based IPSASB Technical Working group to Toronto.

With the international standard setter located in Toronto, this increases the professional recognition and visibility of Canada on the world stage. Toronto joins London and New York as one of the three world centres for private and public accounting, auditing and professional ethics standards. IFAC and CICA executives interviewed highlighted the increased cooperation resulting from the presence of IFAC/IPSASB staff in Toronto. Direct benefits for Canada include augmenting and retaining a highly-skilled standards development staff in Canada. The location of the IPSASB office in Toronto also provides an opportunity for Canadian academics and universities to more easily participate and gain experience and skills that comes from direct participation in the development of public sector accounting standards.

With the IPSASB offices in Toronto comes the opportunity to showcase Canada's public sector talent and experience. There is an annual meeting of the IPSASB board held in Toronto, and Canadians have taken this opportunity to present its public sector accounting system to this world audience. In the view of key informants this opportunity further reinforces Canada's leadership role in maintaining and promoting high quality public sector accounting standards.

While there are many very positive examples of increased engagement related to the IPSASB contribution program, there is very little publicly available information on the Program. One reference appears in IFAC/IPSASB publications, and no references were found on the Government of Canada or CICA websites.

Conclusions

Although Canada has been highly influential in the world of public sector accounting standards, the TBS contribution program has not been as publicly recognized. There is little evidence of increased visibility for the Government of Canada.

Relocating the IPSASB technical staff to Toronto has been significant in terms of increasing the stature of Canada among the international accountancy community.

B. Effective Utilization of Resources

1. Is the IPSASB Contribution Program an Economical Use of Public Resources?

Findings

When the Government of Canada long-term funding arrangement was established it was seen as the model of the type of funding needed to sustain IPSASB's initiatives. The combined IPSASB contribution program and CICA

five-year funding – a total of approximately \$2 million – represents the single largest long-term contribution from governments and private organizations.

The funding provided by the contribution program along with the CICA was the key factor in IFAC's decision to relocate its standards development technical working group to Toronto, which has reinforced Canada's role as an international leader in the development of public sector accounting standards. Currently the number of IFAC/IPSASB staff has increased to seven, including three Canadians. The new IFAC staff includes an Executive Director and staff of who are responsible for professional standards and ethics. They are co-located with the IPSAS Technical Team. We were also advised of current plans for staff increases in 2010 and 2011.

Further opportunities may be developed which would leverage the Canadian based international standards setting organization (i.e., further develop the training of accountants and encourage greater attention to training in public sector standards). This could include encouraging academics and universities to undertake further public sector research and curriculum development which could also be used in the training and examining of accountants (e.g., CICA UFE questions and similar CMA/CGA final comprehensive exams.).

Conclusions

There is a significant net economic benefit to Canada arising from the IPSASB contribution program and the resultant staff /office relocation to Toronto which is co-located with the CICA. Further opportunities exist in relation to national and international stakeholders worldwide and in the potential to encourage more (especially young) Canadian accounting professionals to focus their career on the public sector.

2. Administrative Effectiveness

Findings

The objectives set out in the agreement are high level statements which are appropriate for the nature and the scope of this type of agreement. The agreement sets out reasonable terms and conditions related to the funding given the low level of risk involved.

The reporting requirements – quarterly reports containing financial and performance activity – were consistently met by IFAC. Information provided includes the IPSASB activity report to the IFAC board. This report is generally informative and more recent format changes provide better performance information.

The quarterly invoices were properly signed and submitted for payment. The key informants who were familiar with the administrative processes supported the "contribution type" arrangement (as opposed to a grant arrangement) and suggested that if the program is continued the same type of arrangement used (i.e., requiring on-going monitoring and reporting using existing IFAC reports and schedules, and the ability to audit and evaluate the arrangement).

Key informants also recommended that if funding is continued it should not, in keeping with the current contribution agreement, be tied to specific project outputs but rather dedicated to the overall strategic plan for the development of public sector accounting standards, related research and information reports. This opinion is based on the view that IPSASB has achieved significant progress and continues to address the needs of the public sector community worldwide.

Conclusions

The terms and conditions of the contribution agreement were appropriate to the risk. Using existing IFAC accountability instruments for reporting provided TBS with an efficient and sufficient means of oversight of the contribution program spending.

C. Relevance

1. Alignment with Priorities

Findings

When the contribution program was approved in 2006, the arrangement was widely supported within the Government of Canada at both the executive and political levels. It was consistent with the legislative, policy and program thrusts of the Government and the roles and responsibilities of TBS. Other similar programming measures aimed at increasing accountability and transparency of public spending were also being introduced as part of the Government's accountability agenda. (i.e., the *Federal Accountability Act*, the Internal Audit Policy and the introduction of departmental financial statements).

The contribution program was presented as a logical extension of this policy focus. The enabling documentation for the contribution program addressed the need to promote benchmark guidance, conduct research programs,

and facilitate the exchange of information. It also focused on convergence toward international standards and the benefits for Canada in contributing to this global goal.

An analysis of the recent Speech from the Throne and the TBS Report on Plans and Priorities (2010-11) reveals an increasing emphasis on economic recovery and expenditure control. Improved management, accountability and transparent reporting remain cornerstones of the Government agenda, albeit to a less visible extent, than was the case in 2006-07 when the contribution program was approved.

Beyond renewal of the IPSASB contribution program, a suggestion from key informants was to encourage TBS to work with other federal departments and agencies (e.g., CIDA and DFAIT) to support the promulgation of IPSASs as requirements and conditions of financial support to international governments and organizations. This measure would encourage the use of high quality reporting standards and help to support accountability and transparency of the Government of Canada's foreign aid assistance.

Conclusions

At the time the IPSASB contribution program was initiated it was fully aligned with the federal government's agenda of the day. While political imperatives such as economic stimulation and deficit reduction now dominate the agenda, accountability remains a cornerstone of the Government of Canada's priorities and is highly relevant.

2. Compliment or Duplicate Other Financial Support?

Findings

As noted earlier, the contribution program funds are transferred to IFAC, the governing and administrative body for IPSASB. IFAC represents 2.5 million accountants worldwide, including those in government service. IFAC's consultative groups and service delivery organizations are, for the most part, financed through membership. However, IPSASB activities are funded through a mix of IFAC and external funding. Table 4 provides information on external funding for the past two years.

Table 4: Summary of IPSASB External Donors, 2009 and 2010

Donor	2009	2010
World Bank	\$250,000 USD	\$250,000 USD
Government of Canada	\$200,000 CDN	\$200,000 CDN
Asian Development Bank	\$100,000 USD	\$100,000 USD
CICA	\$200,000 CDN	\$200,000 CDN
New Zealand	\$60,000 USD	\$35,000 USD
United Nations	\$0 USD	\$100,000 USD

Source: IFAC.

IPSASB receives support (direct financial support and in-kind) from the World Bank, the Asian Development Bank, the United Nations and the governments of Canada, China, New Zealand, and Switzerland. Financial information from the IFAC Annual Report (2009) reveals that the ratio of IFAC to external funding was 50/50 in 2008. The information in Table 4 shows increased external funding (i.e., 40/60) for 2010. The World Bank and the UN are direct beneficiaries of IPSASs, in terms of using the standards for accounting and reporting purposes and in programming. The main target beneficiaries are governments, international organizations (e.g., IMG, World Bank) and not IFAC members.

The IFAC strategy of seeking external funding for the IPSASB's programming is based on the fact that there is little or no corresponding direct benefit to the IFAC membership from the development and publication of IPSASs. IFAC is therefore pursuing a type of "user pay" strategy, and at the same time not charging for the dissemination of IPSASs, guidance and information products. The no-charge policy is to encourage the use and adoption of these products.

Funding remains a critical issue for IPSASB. In a recent report to the IFAC, the IPSASB acknowledges the continued need to diversify funding and sets out plans to secure additional funding from national governments and international organizations. Efforts are underway by the IPSASB board to broaden the funding base by seeking input and funding from national governments and international organizations. As noted earlier, the IFAC position is that the principal beneficiaries of the IPSASs (governments and public sector institutions) should contribute to the development of the standards.

IPSASB management views the combined CICA and IPSASB contribution program as a model it can market to other governments and organizations worldwide. The combined funding from the two sources, although considerable in relation to other governments and organizations at present, has attracted a global level standard

setter to Canada, which has increased the visibility of Canada on the accounting world stage. This long-term sustaining funding from Canadian sources has allowed for significant progress in standards development over the past five years.

The minimum net investment in Canada arising from the IPSASB contribution agreement is approximately \$1.6 million annually (in 2010). This calculation is based on the \$2 million in wages, benefits and services expended in Canada by IFAC, less the \$400K contribution by the Government of Canada.

Conclusions

The IPSASB contribution program is complementary to the support provided to IFAC by CICA, international organizations and, to a lesser extent, world governments. The support from the CICA does not duplicate or work at cross purposes with the Government of Canada's funding support.

3. Rationale for Continued Funding

Findings

The rationale for the IPSASB contribution program was to contribute to the further development of international public sector accounting standards and increase the visibility of Canada in the setting of these standards. The goal was to support a set of global accounting standards for transparent and accountable government financial reporting globally, and to influence the IFAC decision to relocate its technical team to Canada. Significant progress has been achieved on both fronts.

The first objective, global public sector reporting and accounting standards, is well advanced but adoption and implementation remains a long term goal – which should be further advanced with development of the conceptual framework, guidance and promotion of implementation, etc.

Key informants interviewed noted that the trend toward global harmonized standards is progressing. In their opinion, Canadian public sector institutions will, over time, move toward acceptance/implementation of a full suite of IPSASs.

As noted above, funding continues to be a challenge for IPSASB. The IPSASB board has embarked on a campaign to broaden its funding base in support of public sector research, standards development, a guidance and promotion activities. Those interviewed are highly supportive of the progress achieved by IPSASB and supportive of continued funding which they termed as quite modest given the long term objective. Also, we understand that the CICA is considering extending its current funding agreement with IFAC/IPSASB.

Conclusions

There is a strong rationale for continuing some level of support by the Government of Canada which would complement the CICA funding in support of the investment by IFAC in its Canadian operations. Future support from the Government of Canada may also be a factor in leveraging decisions by the CICA given the complementarity of the current agreements.

V Conclusions and Recommendations

A. Conclusions

The IPSASB contribution program has made good progress in achieving most of its intended outcomes. The main conclusions of the study are the following:

- In the past five years IPSASB has completed the development and publication of a full set of 31 accrual basis standards and updated its cash basis standard and guidance documentation.
- The level of engagement of the global community in improving public sector accounting standards has steadily increased over the past several years as measured by the year-over-year level of participation in the IPSASB standards development process and the significant continuing engagement of such international organizations as the International Monetary Fund, G 20, and World Bank.
- IPSASB has partially achieved its intermediate outcome of member countries adopting and implementing accounting standards. This is an on-going process. Over eighty countries have engaged in pursuing the implementation of accrual based standards equivalent or similar to those published by IPSASB during the past ten years.
- The combined financial contributions made by the Government of Canada and the CICA have been a key factor in stabilizing the funding and advancing the work of the IPSASB at a critical time in its evolution.

- The IPSASB contribution program together with the parallel funding from the CICA have directly influenced the participation of Canadian public sector institutions and stakeholders in the development of high quality public sector accounting standards.
- Although Canada has been highly influential in the world of public sector accounting standards, the TBS contribution program has not been as publicly recognized. There is little evidence of increased visibility for the Government of Canada.
- There is a significant net benefit to Canada arising from the IPSASB contribution program, the office relocation to Toronto along with the co-location with the CICA.
- The terms and conditions of the contribution agreement were appropriate to the risk. Using existing IFAC accountability instruments for reporting provided TBS with an efficient and sufficient means of oversight of the contribution program spending.
- At the time the IPSASB contribution program was initiated it was fully aligned with the federal government's agenda of the day. While political imperatives such as economic stimulation and deficit reduction now dominate the agenda, accountability remains a cornerstone of the Government of Canada's priorities and is highly relevant.
- The IPSASB contribution program is complementary to the support provided to IFAC by the CICA, international organizations and, to a lesser extent, world governments. Funding for IPSASB activities from outside sources, although increasing, remains a challenge. The support from the CICA does not duplicate or work at cross purposes with the Government of Canada's funding support.
- There is a strong rationale for continuing some level of support by the Government of Canada which would complement the CICA funding in support of the investment by IFAC in its Canadian operations.

B. Recommendations

1. **The Government of Canada via TBS should continue financial support to the IPSASB's international public sector accounting standards activities.** The rationale for continued support is based on the performance achieved by IPSASB in meeting the objectives set out in the IPSASB Contribution Program and the continued need for financial support from the public sector for this important international and domestic activity. Canada's support to the IPSASB Program should be seen and communicated as a positive model of support for high quality global accounting standards activities.
2. **TBS should continue to collaborate with the Canadian Institute of Chartered Accountants (CICA) and the Public Sector Accounting Board (PSAB) to engage the Canadian public sector accounting community and stakeholders in the development of high quality global accounting standards.** The opportunity presented by having the world standards setting body located in Canada should be fully exploited. Cooperative programs, educational opportunities and academic interchanges would benefit the Canadian accounting and auditing communities.
3. **In considering the objectives of a future funding arrangement, the TBS should consider requesting that IPSASB commission an independent study on the constraints and benefits from adoption of IPSASs at the national, state and local government level.** While significant progress has been achieved in implementing accrual accounting by international organization, national and state governments have been slower to transition to (IPSASB inspired) accrual accounting. There is an abundance of views, beliefs and anecdotal evidence on the constraints faced by governments and considerable opinion on the solutions to overcome existing constraints to adoption. A comprehensive study could provide IPSASB and the international public sector community with a roadmap to better understand and overcome the causal factors. A study focussed on constraints to adoption is relevant and timely given the recent global economic crisis and concerns about accountability, transparency and sustainability of public sector finances.
4. **The TBS should encourage the IPSASB to increase public communications and consultation processes in the French language to reflect the bilingual status of Canada nationally as well as international requirements.** IPSASB's working language, and that of its parent organization the IFAC, is English. Standards and related information are translated into a number of languages by third parties. Increased use and availability of French language projects and documents would benefit and encourage the participation of Canadian stakeholders.
5. **The TBS should develop a communication strategy in support of Canada's contribution in the development of public sector accounting standards and encourage the IPSASB to proactively communicate the extent and benefits received from the Government of Canada.** The current agreement was successful in attracting a world-class international standards setting body to relocate in Canada. The CICA has leveraged this opportunity by working collaboratively with the IPSASB technical team, co-located in Toronto, and increased the participation of the Canadian public sector and stakeholders to engage in setting of international public sector accounting standards.

¹ For public sector standards (IPSASs) that are based on private sector standards (IFRSs), the text of the IFRS is retained unless there is a public sector specific reason for a departure, or additional examples are included to illustrate certain requirements in the public sector context.

[2](#) Treasury Board of Canada Secretariat, "Request for Proposal: Evaluation of International Public Sector Accounting Standards Board (IPSASB) contribution program," p. 5.

[3](#) The following is an example of a meeting/presentation by IPSASB member during this period.
"Meeting/discussion with Cour des Comptes on the SCA ED, LTFS consultation paper, Conceptual Framework project with France interested parties (e.g., Ministry of Finance, Accounting Standards Board, national and regional courts of accounts, academics, auditors) (Cordier) – 4/1 Paris, France".

[4](#) Mr. Harry Wilkinson is the former Director of Accounting Practice at Audit Commission in London (entity responsible for audits of local authorities in England and Wales) from 1980 to 1996.

[5](#) IPSASB addressed the findings of the Wilkinson Report and recommended changes were, for the most part, successfully completed. Issues of oversight of the IPSASB and consultative processes are still under consideration. Policy positions on both these issues are moving forward for consultation with governments and other stakeholders and then to full public disclosure by IFAC in mid 2011.

[6](#) Ernst and Young, "[Toward transparency: A comparative study of governmental accounting in Europe](#)", 2010.

[7](#) It is widely recognized that the Conceptual Framework project is of critical importance to the next generation of IPSASs. The CICA-led Canadian engagement is intended to assist in aligning the IPSASB Conceptual Framework with the Canadian system and experience in public sector standards.