

public sector accounting and auditing handbook

revisions release no. 1

March 1995

PUBLIC SECTOR ACCOUNTING AND AUDITING RECOMMENDATIONS

The material in this initial release includes the conversion of the existing Public Sector Accounting and Auditing Statements and Guidelines to a loose-leaf format. The disposition of former Public Sector Accounting and Auditing Statements and Guidelines is outlined on page 5 of this Handbook Revisions Release.

A number of conforming amendments were necessary, including changing "Statement" to "Section" and amending the format of references to Sections in the CICA HANDBOOK and to other Sections in the Public Sector Accounting and Auditing Handbook.

Your attention is drawn to the explanation of the release date in paragraph .08 of the Introduction. In the past, Statements as a whole were dated according to when they were approved. In the new format, each Recommendation is dated to show when it was approved or last amended.

This release also includes new Recommendations on using the work of internal audit. This new Section was developed jointly with the Auditing Standards Board and is also issued as CICA HANDBOOK, Section 5230.

New Recommendations and changes to existing Recommendations, other than the editorial revisions, are summarized below. References to "former paragraph" numbers are those in the original Public Sector Accounting and Auditing Statements or Guidelines.

Introduction to Public Sector Accounting and Auditing Recommendations

The Introduction has been revised to reflect the new Terms of Reference of the Public Sector Accounting and Auditing Board as approved by the CICA Board of Governors. Effective April 1, 1993, the Public Sector Accounting and Auditing Committee was restructured into the Public Sector Accounting and Auditing Board. An extract of the Terms of Reference is now appended to the Introduction.

The Introduction has also been amended to reflect the new Handbook format, including an explanation of the dating of Recommendations.

Objectives of financial statements — federal, provincial & territorial governments, Section PS 1400

(former Public Sector Accounting Statement 2)

"Future Research", former paragraphs .55 to .59, has been deleted. These paragraphs discussed specific accounting and reporting issues that would be resolved once a framework of financial statement reporting and accounting principles was developed, including defining the government reporting entity, developing criteria for consolidation, accounting for pension costs, accounting for acquired physical resources and accounting for long-term investments. Since the former Statement was issued, the Public Sector Accounting and Auditing Board has either made recommendations or has projects planned or in process to address these issues.

General standards of financial statement presentation — federal, provincial & territorial governments, Section PS 1500

(former Public Sector Accounting Statement 3)

Paragraph PS 1500.42 has been amended to refer to the specific disclosure requirements in EMPLOYEE PENSION OBLIGATIONS, Section PS 3250. Similarly, paragraph PS 1500.51 has been amended to refer to the specific disclosure requirements in LOANS RECEIVABLE, Section PS 3050.

Disclosure of accounting policies, Section PS 2100

(former Public Sector Accounting Statement 1)

The first sentence in paragraph PS 2100.07 and former paragraph .08 have been deleted because, subsequent to the release of the original Public Sector Accounting Statement, the Public Sector Accounting and Auditing Board has recommended criteria for determining the extent of the reporting entity (see FINANCIAL REPORTING ENTITY — FEDERAL, PROVINCIAL & TERRITORIAL GOVERNMENTS, Section PS 1600) and has recommended an appropriate basis of accounting for governments (see GENERAL STANDARDS OF FINANCIAL STATEMENT PRESENTATION — FEDERAL, PROVINCIAL & TERRITORIAL GOVERNMENTS, Section PS 1500, and GENERAL STANDARDS OF FINANCIAL STATEMENT PRESENTATION — LOCAL GOVERNMENTS, Section PS 1800).

Former paragraphs .09 to .15 have been renumbered PS 2100.08 to PS 2100.14.

Loans receivable, Section PS 3050

(former Public Sector Accounting Statement 9)

Former footnote 3 has been deleted as the paragraph references have been incorporated in the body of the Section (paragraph PS 3050.05). Similarly, former footnote 6 has been deleted as the paragraph references have been incorporated in the body of the Section (paragraph PS 3050.53). The quote in former footnote 5 has been replaced by references to the relevant paragraphs in Sections PS 1500 and PS 1800.

Employee pension obligations, Section PS 3250

(former Public Sector Accounting Statement 5)

Paragraph PS 3250.65 has been amended to be consistent with the wording in paragraph PS 3250.73. In both paragraphs, the reference to Public Sector Accounting Statement 3 has been deleted as it was unnecessary.

In the illustrative examples, the date of the initial valuation shown has been corrected to April 1, 19X0, which is the beginning of fiscal year 19X1.

Audit of financial statements in the public sector, Section PS 5200

(former Public Sector Auditing Statement 2)

The Recommendation in former paragraph .04 quoted the generally accepted auditing standards as set out in the CICA HANDBOOK, GENERALLY ACCEPTED AUDITING STANDARDS, paragraph 5100.02. The quote has been revised to reflect changes to the generally accepted auditing standards made by the Auditing Standards Board in March 1991 and October 1992. The former wording was:

Examination standards

- (ii) *There should be an appropriately organized study and evaluation of those internal controls on which the auditor subsequently relies in determining the nature, extent and timing of auditing procedures.*

Reporting standards

- (i) *The scope of the auditor's examination should be referred to in the report.*
- (iv) *Where an opinion is expressed, the report should also indicate whether the application of the disclosed basis of accounting is consistent with that of the preceding period. Where the basis of its application is not consistent, the report should provide adequate explanation of the nature and effect of the inconsistency.*

The quote was formerly included as part of the Recommendation. It has been moved to a subsequent paragraph as it was not a necessary part of the Recommendation. As a result, former paragraphs .05 to .08 have been renumbered PS 5200.06 to PS 5200.09.

Paragraph PS 5200.09 (former paragraph .08) has been revised and former paragraph .09 deleted as the guidance did not reflect the level of acceptance of the Public Sector Accounting and Auditing Board's Recommendations in practice.

Auditing for compliance with legislative and related authorities, Section PS 5300

(former Public Sector Auditing Statement 3)

Appendix 1 quotes the general and examination standards of the CICA HANDBOOK, GENERALLY ACCEPTED AUDITING STANDARDS, paragraph 5100.02. Examination standard (ii) has been revised to reflect the change made by the Auditing Standards Board in October 1992. The following paragraph has been replaced:

- (ii) *There should be an appropriately organized study and evaluation of those internal controls on which the auditor subsequently relies in determining the nature, extent and timing of auditing procedures.*

Using the work of internal audit, Section PS 6150 [MARCH 1995]

New. This guidance has also been issued as CICA HANDBOOK, Section 5230.

Planning — value-for-money audits, Section PS 6410

(former Public Sector Auditing Guideline 1)

The Public Sector Auditing Guidelines formerly included an introduction that placed them in context of the Public Sector Auditing Statements. This is no longer necessary as the Guidelines have been incorporated as Sections and will accompany the other Auditing Recommendations.

Knowledge of the audit entity — value-for-money audits, Section PS 6420

(former Public Sector Auditing Guideline 2)

The Public Sector Auditing Guidelines formerly included an introduction that placed them in context of the Public Sector Auditing Statements. This is no longer necessary as the Guidelines have been incorporated as Sections and will accompany the other Auditing Recommendations.

Engaging and using specialists — value-for-money audits, Section PS 6430

(former Public Sector Auditing Guideline 3)

The Public Sector Auditing Guidelines formerly included an introduction that placed them in context of the Public Sector Auditing Statements. This is no longer necessary as the Guidelines have been incorporated as Sections and will accompany the other Auditing Recommendations.

Disposition of the former Public Sector Accounting and Auditing Statements and Guidelines

Former title	Reissued as
Public Sector Accounting Statement 1 Disclosure of Accounting Policies	Section PS 2100 Disclosure of accounting policies
Public Sector Accounting Statement 2 Objectives of Government Financial Statements	Section PS 1400 Objectives of financial statements — federal, provincial & territorial governments
Public Sector Accounting Statement 3 General Standards of Financial Statement Presentation for Governments	Section PS 1500 General standards of financial statement presentation — federal, provincial & territorial governments
Public Sector Accounting Statement 4 Defining the Government Reporting Entity	Section PS 1600 Financial reporting entity — federal, provincial & territorial governments
Public Sector Accounting Statement 5 Accounting for Employee Pension Obligations in Government Financial Statements	Section PS 3250 Employee pension obligations
Public Sector Accounting Statement 6 Local Government Financial Statements — Objectives and General Principles	Section PS 1700 Objectives of financial statements — local governments
Public Sector Accounting Statement 7 Accounting for Government Transfers	Section PS 3410 Government transfers
Public Sector Accounting Statement 8 General Standards of Financial Statement Presentation for Local Governments	Section PS 1800 General standards of financial statement presentation — local governments
Public Sector Accounting Statement 9 Accounting for Loans Receivable in Government Financial Statements	Section PS 3050 Loans receivable
Public Sector Auditing Statement 1 Auditing in the Public Sector	Section PS 5000 Auditing in the public sector
Public Sector Auditing Statement 2 Audit of Financial Statements in the Public Sector	Section PS 5200 Audit of financial statements in the Public Sector
Public Sector Auditing Statement 3 Auditing for Compliance with Legislative and Related Authorities	Section PS 5300 Auditing for compliance with legislative and related authorities
Public Sector Auditing Statement 4 Value-for-Money Auditing Standards	Section PS 5400 Value-for-money auditing
Public Sector Auditing Guideline 1 Planning Value-for-Money Audits	Section PS 6410 Planning — value-for-money audits
Public Sector Auditing Guideline 2 Knowledge of the Audit Entity in Planning Value-for-Money Audits	Section PS 6420 Knowledge of the audit entity — value-for-money audits
Public Sector Auditing Guideline 3 Engaging and Using Specialists in Value-for-Money Audits	Section PS 6430 Engaging and using specialists — value-for-money audits

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