

Proposed Statement of Principles

PSAB has issued a Statement of Principles (SOP) that proposes standards for reporting a liability for remediation and mitigation of contaminated sites. Responses are requested by May 29, 2009.

When is a liability reported?

Three criteria that must be met for a liability to be reported are;

- contamination exceeds an environmental standard;
- the government is directly responsible or accepts responsibility for the site; and
- a reasonable estimate of the amount can be made.

A liability would be reported when a government is responsible or accepts responsibility for contamination that exceeds an environmental standard.

raised valid expectation among others that the government will accept responsibility and, as a result, it has little or no discretion to avoid the obligation and cannot realistically withdraw from it, it would report a liability.

An announcement to provide long-term funding for remediation and mitigation activities does not, on its own, necessarily result in a liability.

What is an environmental standard?

An environmental standard sets minimal acceptable levels of contamination. For the purposes of this SOP, only legally enforceable environmental standards create a liability.

Informal non-regulatory environmental standards created by policy or guidelines either internally or externally by organizations that have no enforcement capability would not create a liability.

When is a government directly responsible?

A government is directly and legally responsible for remediation and mitigation because it or one of its organizations caused the contamination. A government may also be directly responsible for contamination on its property caused by others.

When does a government accept responsibility?

A government may voluntarily assume responsibility for contaminated sites through its own actions or promises. When a decision and communication of that decision has

What happens when the amount is not known?

The amount of a liability may need to be estimated because it may not be known with certainty. A liability would be estimated based on management's best estimate using information available at the financial statement date. The estimate would be reviewed at each reporting date as additional information becomes available.

If a government has not done a site assessment, does that mean it has no liability?

Uncertainty about the existence of contamination would not delay the reporting of a liability. A government could, for example, estimate a liability for unassessed sites based on completed assessments for individual sites within a group that have common characteristics such as abandoned mine sites.

Go to www.psab-ccsp.ca to view the SOP.

The Public Sector Accounting Board (PSAB)—an independent body that establishes accounting standards for the public sector. PSAB was created to serve the public interest by setting standards and providing guidance for financial and other performance information reported by the public sector