



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

4 May 2026

International Public Sector Accounting Standards Board

International Federation of Accountants
277 Wellington Street West
Toronto, ON M5V 3H2

Re: Consultation – 2024-2028 Strategy and Work Program

Thank you for the opportunity to comment on the above Consultation. I am responding on behalf of the Office of the Auditor General of Canada. We have focused our response on the single financial reporting project and single sustainability reporting project that we consider to be the highest priorities.

We are pleased to submit to the Board our response below to the specific questions posed in the Consultation Paper.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Heather Miller".

Heather Miller, CPA, CMA
Assistant Auditor General

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Ottawa, Ontario K1A 0G6

Specific Matter for Comment 1: Which financial reporting projects should the IPSASB prioritize?

For each financial reporting project you suggest, please clearly explain the project scope and your reasoning, using the IPSASB's project prioritization criteria outlined on the previous page, to support its priority. Respondents are encouraged to use the format in the Optional Template illustrated in the Instructions for Respondents on the following page for each project suggested.

Since our original response in February 2024 to the 2024-2028 Strategy and Work Program Consultation, an emerging issue related to intangible assets has arisen on more than one occasion. For that reason, we have identified intangible assets—specifically cloud computing arrangements and other digital assets—as the most pressing financial reporting project for the IPSASB to prioritize. We recommend a comprehensive review of IPSAS 31, *Intangible Assets* that goes beyond the narrow-scope amendment currently in progress. Public sector preparers and auditors are already required to make accounting judgments in the absence of authoritative IPSAS guidance, and the IASB's ongoing review of IAS 38, *Intangible Assets* creates a narrow window to ensure public sector needs are incorporated proactively rather than addressed years later through amendments.

Our analysis, included in Appendix A, differs from the IPSASB staff assessment of this project in three important respects. First, while we agree with the IPSASB's description of this potential project as a starting point, we believe the project scope should be broader, extending beyond amendments that might result from the IASB's review of IAS 38 to address public sector specific gaps not currently covered by existing standards. Second, we disagree with the rating of the urgency criterion as "low". In our view, the urgency is "high", given that the accounting questions raised by cloud computing arrangements are not theoretical; the Public Sector Accounting Board (PSAB) has already moved to address this gap through an active project to develop a guideline specifically for Canadian public sector entities. Third, while we agree with the rating of the feasibility criterion as "medium", we disagree with the reasoning that IPSASB should wait for the IASB to complete its project before beginning its own work. Our detailed analysis is set out in Appendix A using the requested template.

Specific Matter for Comment 2: Which IPSAS Standards do you think are the highest priority for the IPSASB to undertake a post implementation review?

For each post implementation review you suggest, please clearly explain the issues with the existing IPSAS Standard and your priority reasoning using the IPSASB's project prioritization criteria outlined on the previous page. Respondents are encouraged to use the format in the Optional Template illustrated in the Instructions for Respondents on the following page for each PIR suggested.

We have no comments on this Specific Matter for Comment.

Specific Matter for Comment 3: Which sustainability reporting projects should the IPSASB prioritize?

For each sustainability reporting project you suggest, please clearly explain the project scope and your reasoning, using the IPSASB's project prioritization criteria outlined on the previous page, to support its priority. Respondents are encouraged to use the format in the Optional Template illustrated in the Instructions for Respondents on the following page for each project suggested.

In considering the sustainability reporting projects identified in the Consultation, we believe priority should be given to the development of a general sustainability-related disclosures standard.

Such a standard would establish the foundational principles necessary to support consistency, connectivity, and scalability across the IPSASB's future sustainability reporting standards (SRSs), which may include other topics proposed by the IPSASB, such as Reporting on the Long-Term Sustainability of an Entity's Finances (RPG 1) and Reporting Service Performance Information (RPG 3). We therefore believe that a general sustainability-related disclosures standard would provide a coherent framework to support these and other future initiatives and should be given priority for development.

Overall, we agree with the IPSASB's assessment of the proposed project against the criteria of prevalence, consequences, urgency, and feasibility. We consider the project to be of high urgency, as it would establish overarching requirements that support consistency and avoid duplication across future SRSs. We also consider the project highly feasible, given the ability to leverage existing global standards, while adapting them to reflect the public sector's broader accountability and impact-focused reporting needs. Please see our detailed analysis against the assessment criteria set out in Appendix A completed using the requested template.

Appendix A – Completed Templates for Selected Projects

SMC 1

IPSAS 31 (Comprehensive review based on the IASB’s comprehensive review of IAS 38, <i>Intangible Assets</i>)	
<p>Project Description: While we agree with the IPSASB’s description as contained in its Potential Projects document which accompanies this Consultation, we believe that this project should go beyond the amendments resulting from the IASB’s project on IAS 38.</p> <p>This project should instead update IPSAS 31 by leveraging the IASB’s comprehensive review of IAS 38 while also addressing public sector-specific gaps not currently covered in existing standards. The project should examine how IPSAS should treat digital assets, including cloud computing arrangements, data registries, AI models, and other non-separable digital infrastructure that generate significant service potential rather than commercial economic benefits. It should also assess whether current IPSAS definitions of control, identifiability, and useful life appropriately reflect modern public sector digital transformation practices or whether a right-of-use type recognition model could provide a more faithful representation of the service potential public sector entities obtain.</p> <p>Implementation challenges with existing IPSAS 31 may be seen across three areas:</p> <ol style="list-style-type: none"> 1. Recognition: major cloud and digital modernization programs that clearly enhance long-term service capacity may be expensed in full because current guidance does not adequately address arrangements where control, identifiability, or the distinction between an asset and a service are difficult to establish. This gap is compounded for internally-generated digital assets, where IPSAS 31 itself acknowledges the inherent difficulty in determining whether an identifiable asset that will generate expected future economic benefits or service potential qualifies for recognition. 2. Measurement: existing guidance on useful life and amortization was developed with traditional intangible assets in mind and may not translate well to digital assets with indeterminate or evolving service lives. 3. Disclosure: entities currently lack guidance on how to communicate long-term digital commitments such as multi-year minimum payments or mandatory upgrade clauses as well as risk and service capacity in a meaningful and comparable way. <p>We believe this project should be prioritized because governments are rapidly increasing investment in cloud migration, data platforms, and digital service delivery. Current IPSAS requirements may not provide transparent or comparable information about these investments, limiting accountability, obscuring long-term service capacity, and creating inconsistencies across jurisdictions. Modernized guidance would significantly improve the relevance and usefulness of public-sector financial statements.</p>	
Prioritization Criteria	Analysis
Prevalence	<p>High. We agree with IPSASB’s analysis, including its rating of “high”.</p> <p>To further strengthen the case for prevalence, we would add that public sector entities across all levels of government routinely control</p>

	<p>items that meet the conceptual definition of an intangible asset—software, licenses, databases—even where current standards (at least in Canada) limit or preclude recognition. In the Canadian federal public sector, we are aware of the increased use of cloud computing arrangements and the potential financial reporting implications as entities migrate from on-premise software to cloud-based solutions. More broadly, the increasing adoption of cloud computing across the public sector is well documented at all levels of government in Canada and internationally—as evidenced, for example, by Deloitte Canada’s research spanning municipal, provincial, and federal governments¹, and by a summary of Forrester’s The State of Cloud in Government, 2025 report, published by Government Technology².</p>
<p>Consequences</p>	<p>High. We agree with IPSASB’s analysis, including its rating of “high”.</p> <p>In addition, we add that inconsistent or inappropriate accounting for intangible assets can result in material misstatements of both the statement of financial position and reported expenditure. Cloud computing particularly, creates a binary outcome — either an asset is recognized or the entire cost is expensed — with no IPSAS guidance to support a consistent, principled determination this can lead to reduced transparency, inconsistent reporting, and weakened accountability for multi-year digital transformation programs. Misclassification also affects budgeting and comparability across jurisdictions, impacting the usefulness of public sector financial statements.</p>
<p>Urgency</p>	<p>High. We disagree with IPSASB’s analysis, including its rating of “low”.</p> <p>Cloud computing arrangements are prevalent, and the accounting question is not theoretical — public sector preparers and auditors are currently making judgments in the absence of authoritative IPSAS guidance. The IASB’s own agenda decision on cloud computing configuration and customization costs has created additional uncertainty about how that guidance translates to the public sector context. The fact that PSAB has already moved to address this gap through an active project to develop a guideline specifically for cloud computing arrangements in the Canadian public sector further demonstrates the urgency and practical demand for authoritative guidance in this area. Without updated guidance, there is a risk that financial reporting will increasingly diverge from the economic reality of how public services are delivered. The IASB’s comprehensive review of IAS 38 creates a timely opportunity for the IPSASB to act now to ensure public sector needs are incorporated rather than addressed years later through amendments.</p>

¹ <https://www.deloitte.com/ca/en/Industries/government-public/perspectives/how-government-can-reignite-its-progress-to-the-cloud.html>

² <https://www.govtech.com/blogs/lohrmann-on-cybersecurity/where-is-government-when-it-comes-to-cloud-in-2025>

Feasibility	<p>Medium. We agree with IPSASB’s rating of “medium” but disagree with the analysis.</p> <p>The Consultation Paper notes that the IPSASB could draw on IASB amendments to IAS 38 once they are finalized. It suggests that beginning work after the IASB’s review is complete would allow the IPSASB to leverage that work. While we agree that leveraging IASB work is prudent where there is no public sector reason for departure, we believe that waiting would mean missing an important opportunity.</p> <p>Engaging with the IASB earlier —while IAS 38 is still under review— would allow the IPSASB to ensure public sector perspectives are reflected before the amendments are finalized, rather than adapting a completed standard afterward.</p> <p>As an alternative, we suggest a phased approach that we believe could make the project feasible within existing resources. Phase one could prioritize the public sector specific gaps not addressed by IASB’s review — most notably cloud computing arrangements and digital assets. The IPSASB could also draw on preliminary research and consultations already carried out by PSAB as part of its cloud computing arrangements project. This existing body of work could reduce the research burden typically associated with a new project, thereby supporting a “medium” feasibility assessment without waiting for the IASB’s review to be completed.</p> <p>Phase two could then address the broader measurement and disclosure questions. At that stage the IPSASB could incorporate any relevant amendments from the completed IAS 38 review. This sequencing would allow the IPSASB to act now on the most pressing public sector needs, leveraging work already done by PSAB, while still benefiting from the IASB’s work on the elements where convergence is appropriate.</p>
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SMC 3

General Sustainability-related Disclosures	
Project Description: We agree with the IPSASB's description of this potential project as contained in its Potential Projects document which accompanies this Consultation.	
Criteria	Analysis
Prevalence	High. We agree with IPSASB's analysis, including its rating of "high".
Consequences	High. We agree with IPSASB's analysis, including its rating of "high".
Urgency	High. We agree with IPSASB's analysis, including its rating of "high". In addition to the IPSASB's analysis we note that while there is urgency across multiple sustainability topics, we believe a general sustainability-related disclosures standard should be prioritized over topic specific projects, as it establishes the foundational principles needed to ensure consistency, connectivity, and scalability across future sustainability standards, which may include RPG 1 and RPG 3 for example.
Feasibility	High. We agree with IPSASB's analysis, including its rating of "high".