Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

29 June 2026

International Public Sector Accounting Standards Board

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

Re: Exposure Draft 95 – Improvements to IPSAS Accounting Standards – Volume 10

Thank you for the opportunity to comment on the above Exposure Draft (ED). I am responding on behalf of the Office of the Auditor General of Canada. We have focused our response on the portion of "**Part 2b – Amendments to IPSAS 41, *Financial Instruments***" relating to the proposed paragraphs AG16A, AG47A, AG47B and AG47C.

We are pleased to submit to the Board our response below to raise certain observations for your consideration regarding the amendments posed in the ED.

Yours sincerely,

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Overall, we do not support the proposed amendments to IPSAS 41 provided under paragraphs AG16A, and AG47A-AG47C. Our observations/comments for your consideration are as follows:

- These proposed amendments could lead to inconsistent cash accounting among IPSAS preparers, even in identical situations. This is because some entities may use the paragraph AG47A early-derecognition option while others may not, potentially creating materially different cash and liability balances despite similar facts. While allowing more judgment can be valuable, it can also reduce consistency and comparability. In this case, where the subject matter is something as fundamentally straight-forward as whether cash is or isn't sitting in an entity's bank account, the benefit of added choice is less clear.

- Paragraph BC54 states that the IPSASB saw no public sector specific reasons not to adopt the amendments. In Canada, however, settlement risk in the public sector is generally low, and there has been no significant divergence in practice or issues with current standards. We see no compelling public sector reasons to adopt them.

    - Existing accounting practices and systems are well established; changing them would be costly and time-consuming. Preparers may need to revise controls such as bank reconciliations, modify accounting systems—especially where cheque-run processes feed directly into the general ledger—and potentially update charts of accounts. They would also need to apply new judgments when using the early-derecognition option for electronic payment system (EPS) payments.
    - Auditors would face similar impacts, including updating audit programs and assessing new judgments. These changes could create substantial time and cost burdens for both preparers and auditors. Given that settlement risk is low and the amendments primarily affect timing of derecognition (rather than whether derecognition will ultimately occur), we question whether the cost–benefit balance supports making these changes.

- Although the related IFRS 9 amendments focused on payments via an EPS, one of the most significant implications expected in Canada relates to cheque payments. IFRS 9.B3.1.2A, IFRS 9.B3.3.8 and IFRS 9.BC3.55 clarify that the early-derecognition option does **not** apply to cheques. This represents a major change, as many Canadian entities currently derecognize cash and the related liability when a cheque is issued, regardless of when settlement with the bank occurs. For entities like the Government of Canada, for example, year-end bank reconciliations include many outstanding cheques, sometimes totalling a material amount. If the GoC were applying IPSAS, the proposed amendments could materially affect its Statement of Financial Position.

- Given the potential impact, we would have expected to see the amendments in a standalone ED focused solely on this topic which would better support informed Board decisions.

- Paragraph AG47B contains an incorrect reference. Where it refers to "B3.3.8(a) and (b)", we believe this was instead meant to refer to "AG47A(a) and (b)".