

IPSASB

International Public
Sector Accounting
Standards Board®

AGENDA ITEM 5

MAKING MATERIALITY JUDGEMENTS

IPSASB Meeting – March 2025

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MAKING MATERIALITY JUDGEMENTS

- 1.** Approval of Project Brief
- 2.** Definition of Material
 - Primary Users
 - Consistency
- 3.** Approval of Exposure Draft (Phase 1)
- 4.** Education Session Practice Statement 2

Approval of Project Brief, Making Materiality Judgments

Analysis

- Staff actioned December instructions and decisions on Project Brief.
- Project should be undertaken in phases:
 - Phase 1—Review consistency of the definition of ‘material’ across the IPSASB’s financial reporting guidance
 - Phase 2—Develop non-authoritative guidance aligned with Practice Statement 2 (narrow scope)
 - Phase 3 —Develop guidance on making materiality judgements when preparing sustainability reports in accordance with IPSASB SRS

Review Project Brief Section by Section

Recommendation

- **Approve** Project Brief, *Making Materiality Judgements*

Definition of Material – Primary Users

Analysis

- Add the word ‘primary’ ahead of users in the description of materiality in the *Conceptual Framework* (CF):
 - IASB identified interpretation challenges with the term ‘users’ in the description of material. Specifically, ‘users’ is too broad of a term and can be interpreted to require an entity to consider all possible users.
 - Similar interpretation challenges can be expected in the public sector requiring the clarification of the term ‘users’.

Recommendation

- **Amend** paragraph 3.32 of the Conceptual Framework.

Definition of Material – Consistency

Analysis

- Amend relevant IPSAS Standards for alignment with the updated *Conceptual Framework*, specifically on the concept of materiality:
 - Add ‘primary’ ahead of users (Agenda Item 5.2.2);
 - Soften the materiality threshold from ‘could influence’ to ‘could reasonably be expected to influence’; and
 - Add obscuring information as an additional materiality factor.
- Amendments in *Definition of Material* (Amendments to IAS 1 and IAS 8) relate to aligned paragraphs in IPSAS and provide guidance for the consistent application of the definition of material aligned with the Conceptual Framework.

Recommendation

- **Amend** guidance on materiality in:
 - IPSAS 1, *Presentation of Financial Statements*;
 - IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*;
 - IPSAS 14, *Events after the Reporting Date*; and
 - IPSAS 19, *Provisions, Contingent Liabilities, and Contingent Assets*

Approval of [Draft] IPSAS Exposure Draft (ED) 93

Analysis

- Standalone ED provides prominence to the concept of materiality and supports constituents considering responding to the ED
- ED structure and content is consistent with IPSASB's practice
- 60-day exposure is consistent with Improvements ED's

Page by page flip of ED 93

Recommendation

- **Approve** IPSAS ED 93, *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and Chapter 3 of the Conceptual Framework); and
- **Expose** for 60 days

