

**Meeting:** International Public Sector Accounting  
Standards Board

**Meeting Location:** New York, USA

**Meeting Date:** December 2–5, 2025

## Agenda Item 7

For:

☐ Approval

☒ Discussion

☐ Information

### MAKING MATERIALITY JUDGMENTS GUIDANCE – NARROW SCOPE PROJECT

<b>Project summary</b>	Develop public sector non-authoritative guidance on making materiality judgments when preparing financial statements (in accordance with IPSAS Standards) aligned with IFRS® Practice Statement 2: <i>Making Materiality Judgements</i> (narrow scope project)	
<b>Project staff lead</b>	<ul style="list-style-type: none"> <li>Agustina Llambi, Principal</li> </ul>	
<b>Task Force members</b>	N/A - Task Force resources are not currently necessary for this project	
<b>Meeting objectives</b>	<b>Topic</b>	<b>Agenda Item</b>
<b>Project management</b>	<a href="#">Making Materiality Judgments Guidance (Phase 2)</a>	<a href="#">7.1.1</a>
	<a href="#">Narrow Scope Project Dashboard</a>	
	<a href="#">Instructions up to Previous Meeting</a>	<a href="#">7.1.2</a>
	<a href="#">Decisions up to Previous Meeting</a>	<a href="#">7.1.3</a>
	<a href="#">Making Materiality Judgments Guidance (Phase 2)</a>	<a href="#">7.1.4</a>
<b>Decisions required at this meeting</b>	<a href="#">Narrow Scope Project: Project Roadmap</a>	
	<a href="#">Making Materiality Judgments Project Overview</a> (for information purposes only)	<a href="#">7.2.1</a>
	<a href="#">Public Sector Adaptation of Practice Statement 2 Guidance (excludes Examples)</a>	<a href="#">7.2.2</a>
<b>Other supporting items</b>	<a href="#">Public Sector Adaptation of Practice Statement 2 Examples</a>	<a href="#">7.2.3</a>
	<a href="#">Supporting Documents 1 - IFRS Practice Statement 2: Making Materiality Judgements</a>	<a href="#">7.3.1</a>
	<a href="#">Supporting Documents 2 - ISSB Educational Material on Materiality</a>	<a href="#">7.3.2</a>
	<a href="#">Supporting Document 3 - [Draft] ED XX, [Document Type], Making Materiality Judgments</a>	<a href="#">7.3.3</a>

Prepared by: Agustina Llambi (November 2025)

**MAKING MATERIALITY JUDGMENTS GUIDANCE (PHASE 2)**  
**NARROW SCOPE PROJECT: DASHBOARD**

Topic	Past Meetings	Dec 2025	Mar 2026	Dec 2026
Plan and Approach	✓			
Review and Approve Project Brief	✓			
Review and Approve the Exposure Draft				
Review and Approve the Final Pronouncement				
<b>Phase 2 Scope of Work – Develop Non-Authoritative Guidance for Making Materiality Judgments aligned with IFRS Practice Statement 2: <i>Making Materiality Judgements</i></b>				
<b>Adaptation of Practice Statement 2 Guidance (excludes Examples)</b>				
• Introduction				
• Objective				
• Scope				
• General Characteristics of Materiality				
• Interaction with Laws and Regulations				
• Making Materiality Judgments (4 Step Process)				
• Specific Topics				
• Errors				
• Information about Covenants				
• Materiality Judgments for Interim Reporting				
• Information about Accounting Policies				
• Application Date				
• Basis for Conclusions and Appendices				
<b>Adaptation of Practice Statement 2 Examples</b>				
<b>Type of Document</b>				

Legend	
✓	Task Completed
	Planned IPSASB Discussion
	Page-by-page Review

**INSTRUCTIONS UP TO PREVIOUS MEETING**

Meeting	Instruction	Actioned
March 2025	1. All instructions were reflected in the <a href="#">Making Materiality Judgments Project Brief</a> .	1. N/A

**DECISIONS UP TO PREVIOUS MEETING**

Meeting	Decision	BC Reference
March 2025	1. All decisions were reflected in the <a href="#">Making Materiality Judgments Project Brief</a> .	1. N/A

**MAKING MATERIALITY JUDGMENTS GUIDANCE – NARROW SCOPE  
PROJECT: PROJECT ROADMAP**

<b>Meeting</b>	<b>Completed Actions or Discussions / Planned Actions or Discussions:</b>
December 2025	1. Discuss Issues. 2. Review Exposure Draft.
March 2026	1. Discuss Issues. 2. Approve Exposure Draft.
May 2026 to September 2026	1. ED out for Comment.
December 2026	1. Review Responses to ED. 2. Approve Final Pronouncement.

## **Making Materiality Judgments Project Overview**

### **Purpose**

1. To present an overview of the *Making Materiality Judgments* Project ('project') along with the scope and objectives of Phase 2.

### **Background**

2. In March 2025, the IPSASB approved the *Making Materiality Judgments* Project Brief, with the following project phases:
  - (a) **Phase 1—Review consistency of the definition of 'material'** between the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* ('*Conceptual Framework*') and IPSAS Standards and propose changes to achieve this;
  - (b) **Phase 2—Materiality in IPSAS Standards:** Development of non-authoritative guidance aligned with IFRS Practice Statement 2: *Making Materiality Judgements* ('Practice Statement 2'); and
  - (c) **Phase 3—Materiality in IPSASB SRS Standards:** Development of guidance on making materiality judgments when preparing sustainability reporting in accordance with IPSASB SRS Standards.
3. In March 2025, the IPSASB developed and approved [ED 93, Definition of Material \(Amendments to IPSAS 1, IPSAS 3 and the Conceptual Framework\)](#), which was exposed for a 60-day comment period. This ED proposed to:
  - (a) Clarify that decisions about materiality are intended to reflect the information needs of the primary users of general-purpose financial reports instead of all users; and
  - (b) Align the definition of material in IPSAS 1, *Presentation of Financial Statements*, with Chapter 3 of the *Conceptual Framework on Qualitative Characteristics*, bringing consistency to materiality guidance.
4. In September 2025, the IPSASB:
  - (a) Approved the [Definition of Material \(Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework\)](#) after receiving strong stakeholder support for ED 93 proposals, which was published in October 2025; and
  - (b) Decided Phase 3 will be run in parallel with Phase 2, and its output will be non-authoritative guidance drawing from ISSB education material, *Sustainability-related risks and opportunities, and the disclosure of material information*.

### **Analysis**

5. Following the publication of the pronouncement, [Definition of Material \(Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework\)](#) in October 2025, the IPSASB now has a consistent definition of material across the Conceptual Framework and IPSAS Standards. This pronouncement provided the IPSASB with a firm principle basis for developing public sector-specific non-authoritative guidance on making materiality judgments for Phase 2 of the project.

*Phase 2 Scope of Work*

6. Phase 2 project scope is the development of non-authoritative guidance aligned with Practice Statement 2. Consistent with the project brief, this adaptation will be undertaken as a narrow-scope project, and the adaptation process will follow the IPSASB document, '[Process for Reviewing and Adapting IASB Documents](#)'. While Phase 1 focused on amending the definition of material, Phase 2 is concerned with developing public sector non-authoritative guidance, aligned with Practice Statement 2, about the application of materiality to existing principles in IPSAS Standards and the *Conceptual Framework*.

*What is Practice Statement 2*

7. The International Accounting Standard Board (IASB) issued Practice Statement 2 (see [Supporting Document 1](#)) in September 2017. Practice Statement 2 was issued to address stakeholders' concerns that some entities are unsure how to make materiality judgments and tend to use disclosure requirements in IFRS Standards as a checklist, rather than applying judgment when deciding what information to provide in financial statements.
8. Practice Statement 2 provides non-mandatory guidance to reporting entities on how to make materiality judgments when preparing general purpose financial statements in accordance with IFRS Standards. It aims to assist entities in making materiality judgments when preparing general purpose financial statements. Because it provides non-mandatory guidance, its application is not required to state compliance with IFRS Standards.
9. Specifically, Practice Statement 2:
  - (a) Provides an overview of general characteristics of materiality.
  - (b) Presents a four-step process an entity may follow in making materiality judgments when preparing its financial statements.
  - (c) Provides guidance on how to make materiality judgments in specific circumstances: prior-period information, errors and covenants, materiality judgments for interim reporting, and information about accounting policies.
10. The Practice Statement includes examples illustrating how an entity might apply some of the guidance in it when making materiality judgments about recognition, measurement, presentation, and disclosure requirements in IFRS Standards. Each example:
  - (a) Presents a situation with a specific fact pattern; and
  - (b) Provides analysis<sup>1</sup> on the application of the concept of materiality when preparing financial statements.

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<sup>1</sup> The analysis in each example is not intended to represent the only manner in which the guidance could be applied

*Items for Discussion in Q4 2025*

Phase 2 – Financial Reporting

11. Staff reviewed Practice Statement 2 and identified public sector-specific amendments required. [Agenda Item 7.2.2](#) and [Agenda Item 7.2.3](#) propose amendments to the core text and examples in Practice Statement 2, respectively.
12. Staff consulted the CAG for strategic advice on how the IPSASB should approach the development of additional examples<sup>2</sup> related to making materiality judgments to assist entities with the practical application of materiality when preparing financial statements in accordance with IPSAS Standards. Staff will provide a verbal update on CAG recommendations at the December 2025 IPSASB meeting. Staff analysis and recommendations to the IPSASB, based on the CAG's advice received in December 2025, will be discussed with the IPSASB in Q1 2026.

Education Session

13. Staff will provide the IPSASB with an education session on ISSB education material, *Sustainability-related risks and opportunities, and the disclosure of material information* (see [Supporting Document 2](#)), consistent with the approach taken in June 2025 when the IPSASB received an Education Session of Practice Statement 2.

*Items for Discussion in Q1 2026 – Phase 2 Next Steps*

14. In March 2026, the IPSASB will be presented with the recommendation on the:
  - (a) Additional public sector-specific examples considering the CAG recommendations received in December 2025;
  - (b) Adaptations to 'Primary Users' and their Information Needs' section in Practice Statement 2, inclusive of its examples;
  - (c) Type of document that the making materiality judgment guidance should be issued in;
  - (d) Review and page flip of the [Draft] ED XX [Document Type], *Making Materiality Judgments*; and
  - (e) Approval of ED XX, [Document Type], *Making Materiality Judgments*.

**Decision Required**

15. No decision is required.

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<sup>2</sup> Specifically, to share examples about making materiality judgments on the identification of primary users, primary users' information needs, and recognition and measurement requirements in IPSAS Standards.



## **Public Sector Adaptation of Practice Statement 2 Guidance (excludes Examples)**

### **Question**

1. Does the IPSASB agree with the proposed approach to developing a public sector-specific aligned IFRS Practice Statement 2: *Making Materiality Judgements* ('Practice Statement 2')?

### **Recommendation**

2. Staff recommend that the IPSASB approve the proposed approach to develop public sector aligned guidance to Practice Statement 2:
  - (a) The outline as proposed in [Appendix A](#), which excludes guidance on IAS 34, materiality judgements for interim reporting, and IAS 8, information about accounting policies from Phase 2;
  - (b) Adaptation of guidance for consistency with the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* ('Conceptual Framework') and IPSAS Standards (as proposed in [Appendix A](#) and illustrated in [Supporting Document 3](#)).

### **Background**

3. In March 2025, the IPSASB agreed to develop non-authoritative guidance on making materiality judgments when preparing financial statements in accordance with IPSAS Standards aligned with IFRS Practice Statement 2: *Making Materiality Judgements* ('Practice Statement 2').
4. The '[Process for Reviewing and Adapting IASB Documents](#)' ('Adaptation Process') is the IPSASB's IFRS alignment policy paper that establishes the process for considering IASB guidance during an alignment project and applies to the development of the guidance in the scope of Phase 2.

### **Analysis**

#### *Adaptation of IASB's Document Process*

#### **Source**

5. The IASB issued Practice Statement 2 in September 2017. Since then, it has been amended by other pronouncements. The last pronouncement to amend it was IFRS 18 *Presentation of Financial Statements* issued by the IASB in April 2024. The amendments do not change the guidance in Practice Statement 2; instead, the amendments update references to IFRS Standards<sup>3</sup>, for example, a reference to IAS 1 *Presentation of Financial Statements* was updated to IFRS 18, as IFRS 18 superseded IAS 1. Considering IPSAS 1 is based primarily on IAS 1 and the IPSASB has an active project on the Presentation of Financial Statements, the development of aligned guidance in Phase 2 will utilize Practice Statement 2, as included in the IFRS Standards 2024 (Red Book), rather than IFRS Standards 2025.

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<sup>3</sup> For example, IAS 1 *Presentation of Financial Statements* is revised to IFRS 18 or IAS 8 *Basis of Preparation of Financial Statements*, previously named IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

## Approach

6. The development of non-authoritative guidance on making materiality judgments when preparing financial statements in accordance with IPSAS Standards will apply the definition of material as per the *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework):
  - (a) Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the discharge of accountability by the entity, or the decisions that primary users make on the basis of the entity's GPFRs prepared for that reporting period. Materiality depends on both the nature and amount of the item judged in the particular circumstances of each entity.
7. Consistent with the *Making Materiality Judgments* project brief, the adaptation of Practice Statement 2 to the public sector context will follow the [Process for Reviewing and Adapting IASB Documents](#). Practice Statement 2 provides guidance on applying materiality to existing principles in the IASB's Conceptual Framework for Financial Reporting and IFRS Standards. Therefore, public sector adaptations are needed to ensure the objectives of public sector financial reporting<sup>4</sup> and the qualitative characteristics or constraints for public sector financial reporting<sup>5</sup> are adequately met.
8. Similar to Practice Statement 2, the aligned IPSASB guidance aims to provide guidance that helps entities apply materiality to existing principles in the *Conceptual Framework* and IPSAS Standards. Therefore, the development of non-authoritative guidance on making materiality judgments for the public sector will consider consistency with:
  - (a) The *Conceptual Framework*; and
  - (b) IPSAS Standards.
9. Considering paragraphs 7 and 8, staff reviewed Practice Statement 2 and identified adaptations based on the level of amendments needed (see [Appendix A](#) for further details):
  - (a) **Editorial.** The revisions may include changes to public sector terminology and replacing the IFRS Standard with the aligned IPSAS Standard.
  - (b) **Adaptation.** The revisions include the editorial changes noted above, as well as changes for consistency with public sector-specific guidance in IPSAS Standards and the *Conceptual Framework*. For example, paragraph 5 in Practice Statement 2 includes the definition of material, as defined in IAS 1, which differs from the definition in IPSAS 1. Thus, staff is recommending the adaptation of this paragraph for consistency with IPSAS 1.
  - (c) **Deletion.** The practice statement guidance that lacks aligned guidance in the IPSAS Standard should be deleted. For example, Practice Statement 2 has a section on applying materiality to principles in IAS 34 *Interim Financial Reporting*, for which there is no aligned IPSAS Standard.

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<sup>4</sup> See paragraph 15 in IPSAS 1, *Presentation of Financial Statements* and Chapter 2: *Objectives and Users of General Purpose Financial Reporting* of the Conceptual Framework of the Conceptual Framework.

<sup>5</sup> See Chapter 3: *Qualitative Characteristics* of the Conceptual Framework.

Proposed Adaptations

10. Staff is proposing to:

- (a) Retain the outline, except for the sections *Materiality Judgements for Interim Reporting* and *Information about Accounting Policies*, for which there is no aligned guidance in IPSAS Standards<sup>6</sup>; and
- (b) Adapt guidance in Practice Statement 2 as discussed in [Appendix A](#), see [Supporting Document 3](#) for a [Draft] ED XX, [Document Type] *Making Materiality Judgments*.

**Decision Required**

11. Does the IPSASB agree with the Staff [recommendation](#)?

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<sup>6</sup> Paragraph 18(d) of the [Process for Reviewing and Adapting IASB Documents](#) notes that references to an IASB document for which an equivalent IPSAS has not been issued will be replaced with 'the relevant international or national accounting standard dealing with [specific topic].' This was not recommended, as Phase 2 is about developing guidance on how to apply materiality on existing IPSAS principles.

**Appendix A – Public Sector Adaptations Approach to Practice Statement 2 Guidance**

1. The following tables discuss the level of adaptation proposed to:
  - (a) **Table A.** The outline and paragraphs content in Practice Statement 2.
  - (b) **Table B.** Style changes to maintain consistency with IPSASB's literature.
  - (c) **Table C.** Footnotes in Practice Statement 2.

*Table A – Proposed Level of Adaptations to Paragraphs*

2. The following table reflects the proposed adaptations to Practice Statement 2 guidance (excludes examples, see [Appendix A](#) in Agenda Item 7.2.3) in developing aligned non-authoritative guidance for the public sector. The type of amendments proposed can be described as:
  - (a) **Editorial.** the revisions may include changes to public sector terminology and replacing the IFRS Standard with the aligned IPSAS Standard in core text and/or footnote.
  - (b) **Adaptation.** The revisions include the editorial changes noted above, as well as changes for consistency with public sector-specific guidance in IPSAS Standards and the *Conceptual Framework*.
  - (c) **Deletion.** It is based on IFRS guidance, for which aligned guidance in the IPSAS Standard does not exist. There is no IPSAS Standard aligned with the IFRS Standard (e.g., IAS 34), or it pertains to an existing project in the IPSASB's Work Program that the IPSASB has not yet reviewed for inclusion in the relevant IPSAS Standard.

Sections	Paragraphs	Status	Type of Amendments
<b>Introduction</b>	IN1-IN2	Amended	<b>Adaptation.</b>
	IN3-IN7	Amended	<b>Editorial.</b>
	IN6	<i>To be discussed with the IPSASB in Q1 2026.</i>	
<b>Objective</b>	1-2	Amended	<b>Editorial.</b>
<b>Scope</b>	3	Amended	<b>Adaptation.</b>
	4	Amended	<b>Editorial.</b>
<b>General Characteristics of Materiality</b>	5-12		
Definition of material	5-7	Amended	<b>Adaptation.</b>
Materiality judgements are pervasive	8-9, and 10	Amended	<b>Editorial.</b>
	11	Amended	<b>Adaptation.</b>
	12	Retain	N/A – procedural in nature or aligned guidance <sup>7</sup>
Primary Users and their Information Needs	13-23	<i>To be discussed with the IPSASB in Q1 2026.</i>	
	24-25	Amended	<b>Adaptation.</b>

<sup>7</sup> The guidance is aligned with guidance in IPSAS Standards. This footnote applies across Appendix A for 'N/A – procedural in nature or aligned guidance.'

Sections	Paragraphs	Status	Type of Amendments
Impact of Publicly Available Information	26	Retain	N/A – procedural in nature or aligned guidance
<b>Interaction with Local Laws and Regulations</b>	27-28	Amended	<b><i>Editorial.</i></b>
<b>Making Materiality Judgments</b>	29-65		
Overview of the materiality process	29, 31, and 32	Amended	<b><i>Editorial.</i></b>
	30	Amended	<b><i>Adaptation.</i></b>
A four-step materiality process	33, 37, 41, 43, 45-47, 51, 53, 56-57, 60, 62-63	Amended	<b><i>Editorial.</i></b>
	35, 38, 40, 44, 54-55	Amended	<b><i>Adaptation.</i></b>
	34, 36 <sup>8</sup> , 39, 42, 48-50, 52, 58-59, 61, 64-65	Retained	N/A – procedural in nature or aligned guidance.
<b>Specific Topics</b>	66-71		
Prior-period information	66, 68, and 71	Amended	Minor – terminology or footnote reference
	67, 69	Amended/ Deleted	<b><i>Adaptation and Deletion.</i></b> Each paragraph has a sentence re: minimum comparative information, which are proposed to be deleted.  These amendments to IAS 1 are from ‘ <i>Improvements to IFRS</i> ’ issued by the IASB in May 2012. The IPSASB did not incorporate such guidance as it was not considered a minor change (See IPSAS 1.BC13). The IPSASB has an active project on <i>Presentation of Financial Statements</i> that will consider this IASB pronouncement.

<sup>8</sup> The last sentence in this paragraph is proposed to be deleted because it is not included in the Conceptual Framework. The sentence in the IASB’s Conceptual Framework reads ‘The Board, in developing Standards, will seek to provide the information set that will meet the needs of the maximum number of primary users.’

Sections	Paragraphs	Status	Type of Amendments
	70	Retained	N/A – procedural in nature or aligned guidance.
<b>Errors</b>	72 and 75	Amended	<b><i>Adaptation.</i></b>
	73-74, and 78	Amended	<b><i>Editorial.</i></b>
	76-77, and 79-80	Retained	N/A – procedural in nature or aligned guidance
<b>Information about Covenants</b>	81-83	Retained	N/A – procedural in nature or aligned guidance
<b>Materiality Judgments for Interim Reporting</b>	84-88	Deleted	<b><i>Deletion.</i></b> The guidance is from IAS 34 <i>Interim Financial Reporting</i> . There is no IPSAS Standard aligned with IAS 34.
<b>Information about Accounting Policies</b>	88A-88G	Deleted	<b><i>Deletion.</i></b> The guidance pertains to principles outlined in the Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (Consequential Amendments), issued by the IASB in February 2021. The IPSASB has an active project on <i>Presentation of Financial Statements</i> that will consider this IASB pronouncement.
<b>Application Date</b>	88	Amended	<b><i>Editorial.</i></b>
<b>Appendix</b>	-	To be discussed with the IPSASB in Q1 2026.	The appendix includes excerpts of applicable IFRS documents referenced in Practice Statement 2.

*Table B – Proposed Style Changes*

3. The following table summarizes the style changes proposed to maintain consistency with IPSASB's literature:

<b>Practice Statement 2</b>	<b>ED XX, [Document Type] <i>Making Materiality Judgments</i></b>
References to IFRS Standards and its Conceptual Framework	References to IPSAS Standards and the Conceptual Framework
British spelling	American spelling
eg / ie	e.g., / i.e.,
lower case for sub-bullets	upper case for sub-bullets
sentence case for titles	Capitalized each word

*Table C – Proposed Level of Adaptations to Footnotes*

4. The following table shows the reference changes from IFRS Standards/*Conceptual Framework* paragraphs to the aligned IPSAS Standards/*Conceptual Framework* paragraphs:

Footnote #	Para. #	Status	IFRS reference	IPSASB reference	Staff Comments
<b>General Characteristics of Materiality</b>					
Footnote 1	5	<b>Amended</b>	IAS 1.7	IPSAS 1.7 and 12A	-
Footnote 2	5	<b>Amended</b>	Paragraph 2.11 of CF	Paragraph 3.32 of CF	-
Footnote 3	6	<b>Deleted</b>	Footnote notes that the word 'decision' across PS2 should be interpreted to refer to decisions about providing resources to the entity.	-	This is specific to the private sector and not relevant to the public sector.
Footnote 4	6	<b>Amended</b>	IAS 1.7	IPSAS 1.7	-
Footnote 5	7	<b>Amended</b>	Paragraph 1.2 of CF	Paragraph 2.1 of CF	
Footnote 6	8	<b>Amended</b>	Footnote notes how phrases 'complete set of financial statements' and 'financial statements' are used interchangeably in Practice Statement 2.	[Document Type]	Staff will recommend to the IPSASB the type of document in which the aligned Practice Statement 2 guidance should be issued in Q1 2026.



Footnote #	Para. #	Status	IFRS reference	IPSASB reference	Staff Comments
Footnote 7	8	<b>Amended</b>	Refers to the statement of financial position, statement(s) of financial performance, statement of changes in equity, and statement of cash flows	Revised the statement of financial position, statement(s) of financial performance, statement of changes in net assets/equity, and cash flow statement	-
Footnote 8	8	<b>Amended</b>	IAS 8.8	IPSAS 3.10	-
Footnote 9	10	<b>Amended</b>	IAS 1.31	IPSAS 1.29(c)	-
Footnote 10	13	<b>Q1 2026</b>	Paragraph 1.5 of CF	<p>These footnotes appear in the ‘Primary Users and their Information Needs’ to be discussed with the IPSASB in Q1 2026.</p> <p>Staff will conduct further research/analysis on the level of public sector adaptations to guidance about primary users when making materiality judgments.</p>	
Footnote 11	13	<b>Q1 2026</b>	Paragraphs 1.9 and 1.10 of CF		
Footnote 12	15	<b>Q1 2026</b>	Paragraph 2.36 of CF		
Footnote 13	17	<b>Q1 2026</b>	Paragraph 1.2 of CF		
Footnote 14	18	<b>Q1 2026</b>	Paragraph 1.3 of CF		
Footnote 15	19	<b>Q1 2026</b>	Paragraph 1.4 of CF		
Footnote 16	20	<b>Q1 2026</b>	Paragraph 2.7 of CF		
Footnote 17	21	<b>Q1 2026</b>	Paragraph 1.7 of CF		
<b>Interaction with Local Laws and Regulations</b>					
Footnote 18	28	<b>Amended</b>	IAS 1.30A and BC30F	IPSAS 1.12A(e) <sup>9</sup>	

<sup>9</sup> Amendments to IPSAS 1 in *Definition of Material* (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework)

Footnote #	Para. #	Status	IFRS reference	IPSASB reference	Staff Comments
<b>Making Materiality Judgments</b>					
Footnote 19	36	<b>Deleted</b>	Paragraph 1.8 of CF	-	There is no equivalent paragraph in the CF. Guidance and footnote are proposed to be deleted.
Footnote 20	38	<b>Amended</b>	Paragraph 1.4 of CF	Paragraph 2.11 of CF	-
Footnote 21	41	<b>Amended</b>	IAS 1.7	IPSAS 1.12A	-
Footnote 22	43	<b>Amended</b>	IAS 1.29	IPSAS 1.45	-
Footnote 23	56	<b>Amended</b>	Paragraph 2.34 of CF	Paragraph 3.17 of CF	-
Footnote 24	57	<b>Amended</b>	IAS 1.30A	IPSAS 1.12A(c)	-
Footnote 25	60	<b>Amended</b>	IAS 1.7	IPSAS 1.12A	-
Footnote 26	62	<b>Amended</b>	IAS 1.15	IPSAS 1.27	-
Footnote 27	66	<b>Amended</b>	Footnote notes that for this PS2, 'prior-period' should be read as 'prior periods' if financial statements include amounts and disclosures for more than one prior period.	Terminology (Practice Statement 2 to Document Type)	
Footnote 28	67	<b>Amended</b>	IAS 1.38	IPSAS 1.53	-
Footnote 29	67	<b>Amended</b>	IAS 1.38	IPSAS 1.53	-
Footnote 30	67	<b>Amended</b>	IAS 1.38A	IPSAS 1.53A	-
Footnote 31	67	<b>Deleted</b>	IAS 1.10(f)	-	IPSAS 1 does not have similar
Footnote 32	69	<b>Deleted</b>	IAS 1.38C	-	

Footnote #	Para. #	Status	IFRS reference	IPSASB reference	Staff Comments
Footnote 33	69	<b>Deleted</b>	IAS 1.30A and BC30F	-	requirements. These are amendments to IAS 1 that have yet to be considered by the IPSASB. These are in the scope of the <i>Presentation of Financial Statements</i> project.
Footnote 34	70	<b>Amended</b>	IAS 1.38	IPSAS 1.53	-
<b>Errors</b>					
Footnote 35	72	<b>Amended</b>	IAS 8.5	IPSAS 3.7	-
Footnote 36	73	<b>Amended</b>	IAS 8.41	IPSAS 3.46	-
Footnote 37	78	<b>Amended</b>	IAS 8.5	IPSAS 3.7	-
<b>Materiality Judgments for Interim Reporting</b>					
Footnote 38	85	<b>Deleted</b>	IAS 34.23 and IAS 34.25	-	These footnotes reference paragraphs in IAS 34 <i>Interim Financial Reporting</i> . Currently, there is no IPSAS Standard aligned with IAS 34.
Footnote 39	85	<b>Deleted</b>	IAS 34.20	-	
Footnote 40	87	<b>Deleted</b>	IAS 34.6	-	
Footnote 41	87	<b>Deleted</b>	IAS 34.15-15A	-	
Footnote 42	88	<b>Deleted</b>	IAS 34.41	-	

6. The following table shows the new footnote proposed:

#	Paragraph	IPSASB reference	Staff Comments
1	24	Paragraph 2.31 of CF	Added to 'Impact of Publicly Available Information' to reflect what other sources of information, as per the Conceptual Framework, primary users might also need to consider in addition to the one in financial statements.

**Appendix B – Excerpts from Relevant IPSASB’s Literature**

1. To facilitate the review of [Draft] ED XX, [Document Type] *Making Materiality Judgments* included in [Supporting Document 3](#), below are relevant excerpts from the *Conceptual Framework*, IPSAS 1, and IPSAS 3 referenced in [Draft] ED XX.

*Excerpts from the Conceptual Framework:*

- **Paragraph 2.1.** The objectives of financial reporting by public sector entities are to provide information about the entity that is useful to users of GPFRs for accountability purposes and for decision-making purposes (hereafter referred to as “useful for accountability and decision-making purposes”).
- **Paragraph 2.11.** For accountability and decision-making purposes, service recipients and resource providers will need information that supports the assessments of such matters as:
  - The performance of the entity during the reporting period in, for example:
    - Meeting its service delivery and other operating and financial objectives;
    - Managing the resources it is responsible for;
    - Complying with relevant budgetary, legislative, and other authority regulating the raising and use of resources;
  - The liquidity (for example, ability to meet current obligations) and solvency (for example, ability to meet obligations over the long term) of the entity;
  - The sustainability of the entity’s service delivery and other operations over the long term, and changes therein as a result of the activities of the entity during the reporting period including, for example:
    - The capacity of the entity to continue to fund its activities and to meet its operational objectives in the future (its financial capacity), including the likely sources of funding and the extent to which the entity is dependent on, and therefore vulnerable to, funding or demand pressures outside its control;
    - The physical and other resources currently available to support the provision of services in future periods (its operational capacity); and
  - The capacity of the entity to adapt to changing circumstances, whether changes in demographics or changes in domestic or global economic conditions which are likely to impact the nature or composition of the activities it undertakes and the services it provides.
- **Paragraph 2.31.** GPFRs play a significant role in communicating information necessary to support the discharge of a government’s or other public sector entity’s obligation to be accountable, as well as providing information useful as input for decision-making purposes. However, it is unlikely that GPFRs will provide all the information users need for accountability and decision-making purposes. For example, while comparison of actual with budget information for the reporting period may be included in GPFRs, the budgets and financial forecasts issued by governments provide more detailed financial and non-financial information about the financial characteristics of the plans of governments and other public sector entities over the short and medium terms. Governments and independent agencies also issue reports on the need for, and sustainability of, existing service delivery initiatives

and anticipated economic conditions and changes in the jurisdiction's demographics over the medium and longer term that will influence budgets and service delivery needs in the future. Consequently, service recipients and resource providers may also need to consider information from other sources, including reports on current and anticipated economic conditions, government budgets and forecasts, and information about government policy initiatives not reported in GPFRs.

- **Paragraph 3.17.** Understandability is the quality of information that enables users to comprehend its meaning. GPFRs of public sector entities should present information in a manner that responds to the needs and knowledge base of users, and to the nature of the information presented. For example, explanations of financial and non-financial information and commentary on service delivery and other achievements during the reporting period and expectations for future periods should be written in plain language, and presented in a manner that is readily understandable by users. Understandability is enhanced when information is classified, characterized, and presented clearly and concisely. Comparability also can enhance understandability.
- **Paragraph 3.32.** Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the discharge of accountability by the entity, or the decisions that primary users make on the basis of the entity's GPFRs prepared for that reporting period. Materiality depends on both the nature and amount of the item judged in the particular circumstances of each entity.

*Excerpts from IPSAS 1:*

- **Paragraph 7.** Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the discharge of accountability by the entity, or the decisions that primary users make on the basis of the entity's financial statements prepared for that reporting period.
- **Paragraph 12A.** Materiality depends on both the nature and amount of the item judged in the particular circumstances of each entity. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole. Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:
  - (a) Information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
  - (b) Information regarding a material item, transaction or other event is scattered throughout the financial statements;
  - (c) Dissimilar items, transactions or other events are inappropriately aggregated;
  - (d) Similar items, transactions or other events are inappropriately disaggregated; and
  - (e) The understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.
- **Paragraph 27.** Financial statements shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSAS. The application of IPSAS, with

additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.

- **Paragraph 29.** In virtually all circumstances, a fair presentation is achieved by compliance with applicable IPSAS. A fair presentation also requires an entity:
  - (a) To select and apply accounting policies in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*. IPSAS 3 sets out a hierarchy of authoritative guidance that management considers, in the absence of a Standard that specifically applies to an item.
  - (b) To present information, including accounting policies, in a manner that provides relevant, faithfully representative, understandable, timely, comparable, and verifiable information.
  - (c) To provide additional disclosures when compliance with the specific requirements in IPSAS is insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the entity's financial position and financial performance.
- **Paragraph 53.** Except when an IPSAS permits or requires otherwise, an entity shall present comparative information in respect of the preceding period for all amounts reported in the financial statements. An entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements.
- **Paragraph 53A.** An entity shall present, as a minimum, one statement of financial position with comparative information for the preceding period, one statement of financial performance with comparative information for the preceding period, one cash flow statement with comparative information for the preceding period and one statement of changes in net assets/equity with comparative information for the preceding period, and related notes.
- **Paragraph 45.** Each material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately, unless they are immaterial.

*Excerpts from IPSAS 3.*

- **Paragraph 7.** Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, faithfully representative information that:
  - (a) **Was available when financial statements for those periods were authorized for issue; and**
  - (b) **Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.**

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

- **Paragraph 10.** IPSAS set out accounting policies that the IPSASB has concluded result in financial statements containing relevant and faithfully representative information about the transactions, other events, and conditions to which they apply. Those policies need not be applied when the effect of applying them is immaterial. However, it is inappropriate to make, or leave uncorrected, immaterial

departures from IPSAS to achieve a particular presentation of an entity's financial position, financial performance, or cash flows.

- **Paragraph 46.** Errors can arise in respect of the recognition, measurement, presentation, or disclosure of elements of financial statements. Financial statements do not comply with IPSAS if they contain either material errors, or immaterial errors made intentionally to achieve a particular presentation of an entity's financial position, financial performance, or cash flows. Potential current period errors discovered in that period are corrected before the financial statements are authorized for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period (see paragraphs 47–52).

## Public Sector Adaptations of Practice Statement 2 Examples

### Question

1. Does the IPSASB agree with the proposed approach to developing examples illustrating the application of materiality in the public sector-specific aligned IFRS Practice Statement 2: *Making Materiality Judgements* ('Practice Statement 2')?

### Recommendation

2. Staff recommend that the IPSASB approve the proposed approach to develop public sector-specific examples as proposed in [Appendix A](#) when adapting existing examples in Practice Statement 2.

### Background

3. In March 2025, the IPSASB agreed to develop non-authoritative guidance on making materiality judgments when preparing financial statements in accordance with IPSAS Standards aligned with IFRS Practice Statement 2: *Making Materiality Judgements* ('Practice Statement 2').
4. The '[Process for Reviewing and Adapting IASB Documents](#)' ('Adaptation Process') is the IPSASB's IFRS alignment policy paper that establishes the process for considering IASB guidance during an alignment project and applies to the development of the guidance in the scope of Phase 2.

### Analysis

#### *Adaptation of IASB's Document Process*

#### Source

5. Practice Statement 2, as included in the IFRS Standards 2024 (Red Book), see paragraph 5 of [Agenda Item 7.2.2](#) for details.

#### Approach

6. Consistent with the details discussed in paragraph 7 and 8 of [Agenda Item 7.2.2](#), the adaptation of Practice Statement 2 to the public sector context will follow the [Process for Reviewing and Adapting IASB Documents](#) ('Process Paper') to ensure that the objectives of public sector financial reporting and the qualitative characteristics or constraints for public sector financial reporting are adequately met.
7. The Process Paper notes that during the adaptation of an IASB document, examples may be added or deleted if they are clearly inappropriate for or inapplicable to the public sector.
8. Considering paragraphs 6 and 7, staff reviewed the examples in Practice Statement 2 and identified adaptations based on the level of amendments needed (see [Appendix A](#) for further details):
  - (a) **Editorial**, the revisions may include changes to public sector terminology and replacing the IFRS Standard with the aligned IPSAS Standard.
  - (b) **Adaptation**, the revisions include the editorial changes noted above, as well as changes to the fact pattern to enhance the relevance of the example to the public sector context.
  - (c) **Deletion**. It is based on IFRS guidance, for which there is no aligned guidance in the IPSAS Standard. There is no IPSAS Standard aligned with the IFRS Standard (e.g., IAS 34), or it



pertains to an existing project in the IPSASB's Work Program that the IPSASB has not yet reviewed for inclusion in the relevant IPSAS Standard.

Proposed Adaptations

9. Staff is proposing to adapt examples in Practice Statement 2 as discussed in [Appendix A](#), see [Supporting Document 3](#) for a [Draft] ED XX, [Document Type] *Making Materiality Judgments*.

**Decision Required**

10. Does the IPSASB agree with the Staff [recommendation](#)?

## Appendix A – Public Sector Adaptations to Practice Statement 2 Examples

1. The following table reflects the proposed adaptations to examples in Practice Statement 2 in developing aligned non-authoritative guidance for the public sector. The type of amendments proposed can be described as:
  - (a) **Editorial**, the revisions may include changes to public sector terminology and replacing the IFRS Standard with the aligned IPSAS Standard.
  - (b) **Adaptation**, the revisions include the editorial changes noted above, as well as changes to the fact pattern to enhance the relevance of the example to the public sector context.
  - (c) **Deletion**. It is based on IFRS guidance, for which aligned guidance in the IPSAS Standard does not exist. There is no IPSAS Standard aligned with the IFRS Standard (e.g., IAS 34), or it pertains to an existing project in the IPSASB's Work Program that the IPSASB has not yet reviewed for inclusion in the relevant IPSAS Standard.

#	Practice Statement 2 Examples	Status	Type of Amendments
1	Example A—materiality judgments on the application of accounting policies.	Amended	<b>Editorial.</b>
2	Example B—materiality judgments on disclosures specified by IFRS Standards.	Amended	<b>Editorial.</b>
3	Example C—materiality judgments that lead to the disclosure of information in addition to the specific disclosure requirements in IFRS Standards.	Amended	<b>Editorial.</b>
4	Example D—existing and potential investors, lenders, and other creditors.	To be discussed with the IPSASB in Q1 2026 <sup>10</sup>	<b>Adaptation.</b> Primary users of the public sector differ from those of the private sector.  The example discusses an entity that needs to consider the information needs of both its existing and potential investors, lenders, and other creditors. The description of primary users in the CF only discusses existing service recipients and their representatives, as well as resource providers and their representatives.

<sup>10</sup> Staff is consulting the CAG at the December 2025 CAG meeting for potential examples, incremental to the ones identified in the Accounting Standard Board of South Africa's [Guideline on the Application of Materiality to Financial Statements](#).

## Agenda Item 7.2.3

#	Practice Statement 2 Examples	Status	Type of Amendments
5	Example E—primary users' unique or individual information requests.	To be discussed with the IPSASB in Q1 2026 <sup>11</sup>	<b>Adaptation.</b> Primary users of the public sector differ from those of the private sector.  The example discusses unique information needs of an investor that are not common to other investors.
6	Example F—impact of an entity's press release on materiality judgments.	Amended	<b>Editorial.</b>
7	Example G—information that is immaterial according to IFRS Standards required by local laws and regulations.	Amended	<b>Adaptation.</b> The example discussed a food retailer required to disclose research and development expenditures. Staff is proposing to adapt the example fact pattern to 'Example 10 – Information that is material according to laws and regulations but it is not required by Standards of GRAP', leveraging from the <a href="#">Guideline on the Application of Materiality to Financial Statements</a> issued by the Accounting Standards Board of South Africa (April 2019).
8	Example H—information that is material according to IFRS Standards not required by local laws and regulations.	Amended	<b>Adaptation.</b> Revisions are proposed to improve the relevance of the fact pattern to the public sector context.
9	Example I—information about a related party transaction assessed as material.	Amended	<b>Adaptation.</b> Revisions are proposed to improve the relevance of the fact pattern to the public sector context.
10	Example J—information about a related party transaction assessed as immaterial.	Amended	<b>Editorial.</b>
11	Example K—influence of external qualitative factors on materiality judgments.	Amended	<b>Editorial.</b>
12	Example L—prior-period information not previously provided.	Amended	<b>Editorial.</b>
13	Example M—summarizing prior-period information.	Amended	<b>Editorial.</b>

<sup>11</sup> Staff is consulting the CAG at the December 2025 CAG meeting for potential examples, incremental to the ones identified in the Accounting Standard Board of South Africa's [Guideline on the Application of Materiality to Financial Statements](#).

## Agenda Item 7.2.3

#	Practice Statement 2 Examples	Status	Type of Amendments
14	Example N—individual and collective assessment of errors.	Amended	<b>Editorial.</b>
15	Example O—current-period assessment of cumulative errors.	Amended	<b>Editorial.</b>
16	Example P—assessing whether information about covenants is material.	Amended	<b>Adaptation..</b> Revisions are proposed to improve the relevance of the fact pattern to the public sector context.
17	Example Q—information that is expected to be material to the annual financial statements.	Deleted	<b>Deletion.</b> These examples illustrate the application of the definition of material to principles in IAS 34 <i>Interim Financial Reporting</i> . Currently, there is no IPSAS Standard aligned with IAS 34.
18	Example R—information that is only material to the interim financial report.	Deleted	
19	Example S—making materiality judgments and focusing on entity-specific information while avoiding standardized (boilerplate) accounting policy information.	Deleted	<b>Deletion.</b> IPSAS 1 does not have aligned guidance. These examples illustrate the application of the definition of material on principles in the <i>Disclosure of Accounting Policies</i> (Amendments to IAS 1 and IFRS Practice Statement 2) (Consequential amendments), issued by the IASB in February 2021. These pronouncement amendments are in scope of the IPSASB <i>Presentation of Financial Statements</i> project. This is an active project in the IPSASB's Work Program, currently developing a Consultation Paper.
20	Example T—making materiality judgments on accounting policy information that only duplicates requirements in IFRS Standards.	Deleted	

**Supporting Documents 1 – IFRS Practice Statement 2: *Making Materiality Judgements***

1. IFRS Practice Statement 2: *Making Materiality Judgements*, referenced in [Agenda Item 7.2.1](#), is posted separately for easier readability.

**Supporting Documents 2 – ISSB Educational Material on Materiality**

1. The ISSB's educational material on *Sustainability-related risks and opportunities, and the disclosure of material information*, referenced in [Agenda Item 7.2.1](#), is posted separately for easier readability.

**Supporting Documents 3 – [Draft] ED XX, [Document Type], *Making Materiality Judgments***

1. The [\[Draft\] ED XX, \[Document Type\], \*Making Materiality Judgments\*](#) is posted separately for easier readability.

*Review Instructions*

2. IPSASB members, Technical Advisors, and Observers are asked to note the following when reviewing [Draft] ED XX, [Document Type], *Making Materiality Judgments* in marked-up form:
  - (a) Text in marked-up red are public sector-specific adaptations to guidance in IFRS Practice Statement 2: *Making Materiality Judgements* (deletions are strikethrough and insertions are underlined);
  - (b) These adaptations are consistent with staff's recommendations in the above [Agenda Item 7.2.2](#) and [Agenda Item 7.2.3](#); and
  - (c) Text highlighted in grey is content to be discussed with the IPSASB at the March 2026 IPSASB meeting;
3. IPSASB members are welcome to provide editorial comments to staff offline.