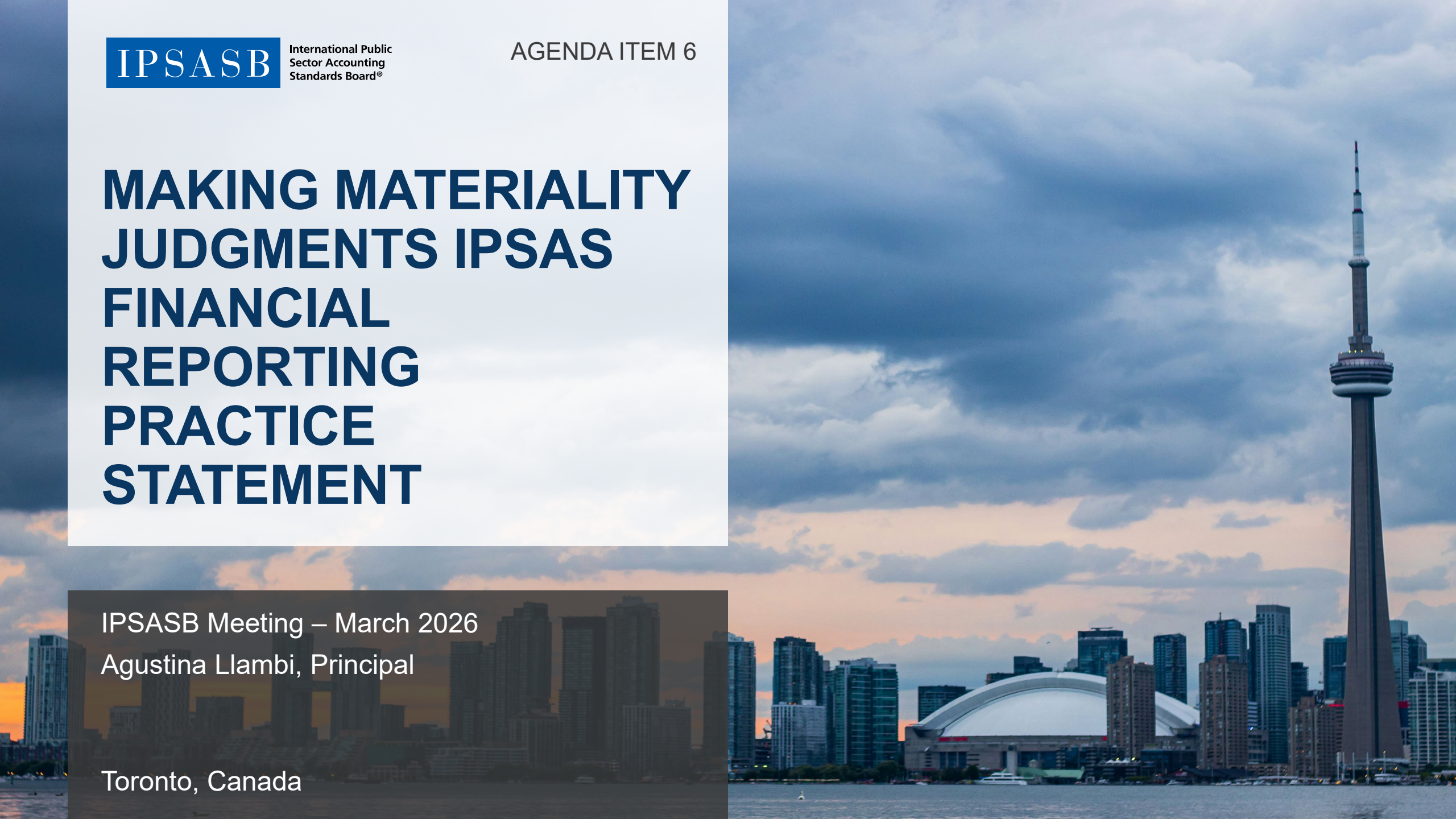
IPSASB International Public Sector Accounting Standards Board®

AGENDA ITEM 6

MAKING MATERIALITY JUDGMENTS IPSAS FINANCIAL REPORTING PRACTICE STATEMENT



IPSASB Meeting – March 2026

Agustina Llambi, Principal

Toronto, Canada

Project Overview and Discussion with IPSASB

March 2025	Phase 2 – Content [draft] ED	December 2025	March 2026
IPSASB approved the Making Materiality Judgments Project Brief	• Introduction	✓	✓
	[draft] IPSAS Practice Statement ED 1, *Making Materiality Judgments*		
	• Objective	✓	✓
	• Scope	✓	✓
	• General Characteristics of Materiality	✓	✓
	• Interaction with Local Laws and Regulations	✓	✓
	• Making Materiality Judgments	✓	✓
	• Specific Topics	✓	✓
	• Application Date	✓	✓
	• Basis for Conclusions		✓
	• Appendix		✓

Guidance on Primary Users in [draft] IPSAS Practice Statement ED 1, *Making Materiality Judgments (MMJ)*

Analysis

- The adaptation of guidance in IFRS® Practice Statement 2: *Making Materiality Judgements* (PS2) to the public sector context:
  - Follows the IPSASB's Process for Reviewing and Adapting IASB Documents; and
  - Considered three National Standard Setters' adaptation of PS2.
- The following adaptations are proposed, paragraphs 13-24 of Agenda Item 6.A.6:
  - Align 'primary users and their information needs' to relevant paragraphs in the Conceptual Framework (CF); and
  - Remove the guidance on 'potential primary users' for alignment with CF.
- Staff request that the IPSASB complete a **page-by-page review** of the 'Primary Users and their Information Needs'.

Recommendation

- **Approve** guidance on 'Primary Users and their Information Needs' proposed for inclusion in [draft] IPSAS Practice Statement ED 1.

Decision Required

The IPSASB is required to decide on the guidance for 'Primary Users and their Information Needs' for inclusion in [draft] IPSAS Practice Statement ED 1.

Public Sector Making Materiality Judgments Examples

Analysis

- In December 2025, staff consulted the CAG about challenges in the public sector when MMJ. CAG highlighted that quantitative factors might be insufficient, and identifying primary users can be complex.
- To address these, staff proposed the addition of examples illustrating:
  - Example B. The decision to capitalize is driven by a qualitative factor, rather than quantitative;
  - Example H. An entity cannot reduce its disclosures to the information needs of one of its primary users; and
  - Example E. The decision to present further granularity in FS, considering a qualitative factor.
- IPSASB instructed staff to enhance the relevance of terminology to the public sector (Example F) and relevance across jurisdictions, (Example K).
- Staff request that the IPSASB complete a **page-by-page review** of these examples.

Recommendation

- **Approve** the inclusion of the following examples in [draft] IPSAS Practice Statement ED 1:
  - Example B;
  - Example H; and
  - Example E.
- **Confirm** that the revised drafting of Example F and K appropriately reflects the IPSASB's December 2025 instructions.

Public Sector Making Materiality Judgments Examples

Decision Required

The IPSASB is required to decide on the examples for inclusion in [draft] IPSAS Practice Statement ED 1.

Interaction of Qualitative and Quantitative Factors

Analysis

- The IPSASB instructed staff to analyze whether 'Interaction of Qualitative and Quantitative Factors' should be revised to reflect that qualitative factors have a higher prevalence in the public sector.
- In considering this, staff noted:
  - The guidance does not prioritize one factor over the other; rather notes that:
    - Initially assessing materiality quantitatively can be an efficient approach;
    - Qualitative factors lower the thresholds for quantitative assessments.
    - Some information may influence primary users' decisions, regardless of size, and could even reduce the quantitative threshold to zero.
  - The guidance in the section "Interaction of Qualitative Factors and Quantitative Factors' of PS2 is aligned with IPSAS 1, *Presentation of Financial Statements*.
  - Adaptation of PS2 by National Standard Setters

Recommendation

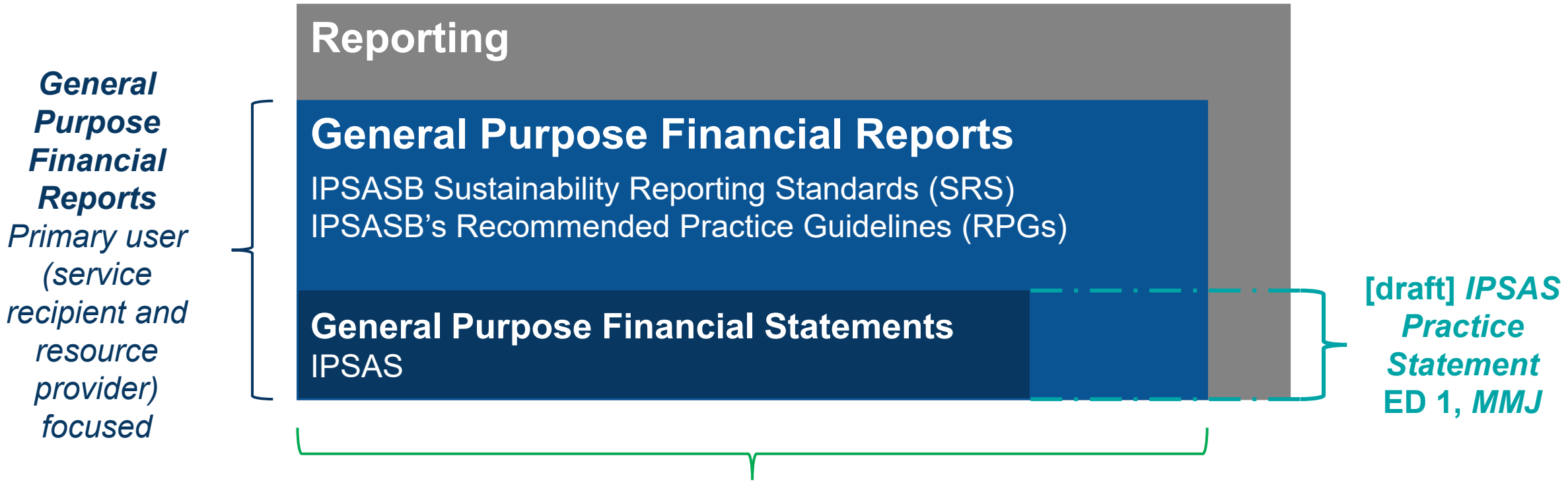
- **Approve** the content and sequence of 'Interaction of Qualitative and Quantitative Factors' in [draft] IPSAS Practice Statement ED 1, MMJ

Decision Required

The IPSASB is required to decide on the content and sequence of 'Interaction of Qualitative and Quantitative Factors' in [draft] IPSAS Practice Statement ED 1.

Type of Document for MMJ Guidance

Visualization of the IPSASB's Remit and the Reporting Landscape



Type of Document for MMJ Guidance

Analysis

- A key issue in the MMJ Project Brief was the type of document aligned guidance to PS2 will be issued.
- In considering this, staff noted:
  - Nature of PS2 Guidance;
  - IPSASB's Process for Reviewing and Adapting IASB Documents; and
  - Existing IPSASB's literature.
- Staff proposes the IPSASB to issue [draft] IPSAS Practice Statement ED 1, *MMJ* as a new type of document. This will:
  - Allow the IPSASB to establish the scope and authority of the guidance;
  - Reflect the pervasive nature of materiality throughout IPSAS Standards; and
  - Consistent with the MMJ Project Brief, IFRS and NSS approach.

Recommendation

- **Agree** to issue non-mandatory guidance aligned with PS2 in a new type of document - [draft] IPSAS Practice Statement ED 1, *MMJ*

Decision Required

The IPSASB is required to decide on the type of document to which aligned guidance with PS2 will be issued.

Development of [draft] IPSAS Practice Statement ED 1, *MMJ*

Analysis

- In developing [draft] IPSAS Practice Statement ED 1, *MMJ*, staff notes:
  - [draft] IPSAS Practice Statement ED 1 is a new type of document; as such, an introduction explaining its purpose and the type of guidance is recommended. The approach is consistent with project scope and PS2;
  - The development of guidance is consistent with the project brief; and
  - IPSASB December 2025 instructions were analyzed.
- Staff proposes the inclusion of two Specific Matters to Comment:
  - **SMC 1.** Agree with how the IPSASB adapted Practice Statement 2 guidance for the public sector context.
  - **SMC 2.** Find the examples on applying the concept of materiality in [draft] IPSAS Practice Statement ED 1 helpful, and whether additional ones are needed.
- Staff request that the IPSASB complete a **page-by-page review** of the reminder material not discussed in prior Agenda Items.

Recommendation

- **Approve** the Introduction to [draft] IPSAS Practice Statement ED 1, *MMJ*
- **Approve** the non-mandatory guidance in [draft] IPSAS Practice Statement ED 1, *MMJ*
- **Approve** the two SMCs proposed for inclusion in [draft] IPSAS Practice Statement ED 1, *MMJ*

Development of [draft] IPSAS Practice Statement ED 1, *MMJ*

Decision Required

- The IPSASB is required to decide on the Introduction, content and SMCs for inclusion in [draft] IPSAS Practice Statement ED 1.

Approval of [draft] IPSAS Practice Statement Exposure Draft 1, *Making Materiality Judgments*

Analysis

- This Exposure Draft (ED) proposes non-mandatory guidance on making materiality judgments when preparing financial statements in accordance with IPSAS Accounting Standards aligned with IFRS® Practice Statement 2: *Making Materiality Judgements.*
- Staff proposes that this ED have the IPSASB's standard 120-day exposure period.

Recommendation

- **Vote to approve** [draft] IPSAS Practice Statement ED 1, *Making Materiality Judgments*
- **Agree to expose** [draft] IPSAS Practice Statement ED 1, for a 120-day exposure period

Decision Required

The IPSASB is required to vote on the approval of [draft] IPSAS Practice Statement ED 1, *Making Materiality Judgments,* and its exposure for a 120-day comment period.

[draft] IPSAS Practice Statement ED 1 – Subjects to:

- **Paragraph 5** revised to reference the definition of material in IPSAS 1.
- **Paragraph 13**, which discusses primary and other users:
  - Remove ‘lending institutions’ as other users; and
  - Better alignment of terminology with the conceptual framework.
- **New paragraph** discussing ‘potential’ primary users aligned with PS2 and adapted to public sector terminology.
- **Paragraph 14**, enhance the guidance by adding 2nd and 3rd sentence in paragraph 3.18 from the CF.
- **New paragraph** discussing guidance in paragraph 2.9 of CF, distinguishing primary users’ information needs that voluntarily decide to give resources (e.g., donors) versus non-voluntary (e.g., taxpayers), and how these can make decisions about their voting preferences.
- **Enhance drafting of Examples B, G, and H**, specifically background details that reflect the application of judgments on making materiality judgments.
- Paragraph 49 revised to include additional qualitative factors relevant to the public sector



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