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Director
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To : Ian Carruthers, Chair, International Public Sector Accounting Standards Board (IPSAS Board)

From : Director, NATO Office of Resources/Head of Financial Reporting Policy

Cc : Chair, Working Group of Financial Controllers
Chair, Accounting Working Group

Dear Mr Carruthers,

Subject: ***Comments on the Exposure Draft 93 – Definition of Material***

I would like to thank the IPSAS Board for the opportunity to comment on the Exposure Draft 93 Definition of Material (Amendments to IPSAS 1, IPSAS 3 and the Conceptual Framework), in NATO's role as observer. In this respect, please find attached our comments, for your consideration.

This letter reflects the comments of the NATO subject matter experts.

Yours sincerely,



Nathalie MATTHIJS
Director
NATO Office of Resources



Comments from NATO

Overall, NATO supports the alignment of the definition of ‘material’ between the Conceptual Framework and IPSAS 1 Presentation of Financial Statements, especially the clarification that an entity is required to consider the information needs of primary users, instead of other users of general-purpose financial reports when applying the concept of materiality.

Materiality, Page 7, paragraph 13A: *‘Many existing and potential service recipients and their representatives and resource providers and their representatives cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of public sector programs and operations and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena’.*

Comment 1.1: In order to increase transparency, please consider providing additional (non-authoritative) guidance on how the materiality level can be calculated (e.g. when preparing financial statements and, if possible, for financial statements audit purposes) – in phase 2 or 3 of the ‘Making Materiality Judgements Project’ project.

Comment 1.2: Please consider clarifying the need for having inserted the last sentence in the above paragraph. Does this expand the definition of primary users to advisers?

Implementation Guidance, Capitalization Threshold for Costs, Page 12, paragraph IG12(a): *‘Meeting the information needs of primary users: Capitalization thresholds should result in reported information that meets the needs of external primary users of the financial statements. Capitalization thresholds should result in reported amounts for recognized assets that achieve the qualitative characteristics, including relevance and representational faithfulness.’*

Comment 2: Please clarify the distinction made when referring to ‘external’ primary users instead of only ‘primary users’.