



10 July 2025

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International Public Sector Accounting Standards Board
International Federation of Accountants
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CANADA
Submitted to: www.ifac.org

Dear Ross

IPSASB Exposure Draft 93 Definition of Material

Thank you for the opportunity to comment on the Exposure Draft, *Definition of Material* (the ED). The ED has been exposed for comment in New Zealand and some New Zealand constituents may comment directly to you. Our comments have been informed by consultation with public sector practitioners.

Overall, we are supportive of the proposed amendments. The Phase 1 proposals to align the definition of materiality in IPSAS with the Conceptual Framework and to emphasise not obscuring material information is necessary to support an improved and consistent application of materiality. We support the introduction of the words 'primary' and 'reasonably be expected to influence' into the definition of material, as focusing on primary users and reasonable expectations will contribute to efficient and effective reporting.

While Phase 1 is important for consistency across IPSASB literature and includes helpful changes for preparers, we believe Phase 2 and the development of application guidance will be more critical in achieving the project's objective, i.e. to improve the application of materiality to reduce over-disclosure of irrelevant information and under-disclosure of relevant information.

There are significant challenges in improving the application of materiality in the public sector. The broad range of users in the public sector means materiality decisions are nuanced and complex. We agree that service recipients, resource providers and their associated representatives are primary users of public sector entities' financial statements/financial reports. However, this group covers a broad range of users with diverse information needs. While representatives of service recipients and resource providers (e.g. representatives of taxpayers/ratepayers) generally have a good understanding of public sector entities' financial



statements, it cannot be expected that all primary users do so to the same extent. In practice, a narrowing focus on users already occurs as considering the wider public is too challenging.

The Phase 1 changes may therefore have minimal impact on public sector entities' materiality judgements, given the definition of 'primary users' in the Conceptual Framework remains broad.

Phase 2 will be crucial in addressing these challenges. Specifically, it is crucial that when the IPSASB develops application guidance based on IFRS Practice Statement 2 *Making Materiality Judgements*, the guidance should be sufficiently tailored to the public sector. Where changes are not made to the Practice Statement, it should be adequately explained why the guidance is appropriate for the public sector, considering the differences in primary users between sectors and the broadness of the user base in the public sector. It may also be helpful for the IPSASB to consider feedback and developments from the IASB's *Climate-related and Other Uncertainties in Financial Statements* project, given that the illustrative examples developed as part of that project include examples relating to the application of materiality.

In addition, we request that you review and address several points we have noted regarding the drafting of the proposed amendments within Appendix A to this letter.

If you have any queries or require clarification of any matters in the letter, please contact Alex Stainer (alex.stainer@xrb.govt.nz) or me.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Carolyn Cordery', with a stylized flourish at the end.

Dr Carolyn Cordery

Chair – New Zealand Accounting Standards Board

Appendix A

Definition of Material

1. The definition of material includes two main components: information is considered material if omitting, misstating, or obscuring it could reasonably be expected to influence either: (1) the discharge of accountability by the entity, or (2) the decisions that primary users make on the basis of the GPFRs.
2. These components may not necessarily be mutually exclusive in practice. However, the second component narrows the focus of consideration to ‘primary users’, but the same narrowing has not been explicitly applied to the first consideration – the discharge of accountability by the entity. Paragraphs 2.7-2.10 of the Conceptual Framework explains that public sector entities are accountable to service recipients and resource providers, who are ‘primary users’. Therefore, we believe it would be helpful to reference ‘primary users’ in the first materiality component.
3. Adding “to primary users” after “the discharge of accountability by the entity” reinforces the focus on primary users as intended by these changes, further aligning with the Conceptual Framework's emphasis on this group. Consequently, we recommend that related paragraphs within the Conceptual Framework and IPSAS Standards are updated accordingly.

Materiality definition in different contexts

IPSAS 1 vs Conceptual Framework

4. The proposed definition of *material* in IPSAS 1 is identical to the definition of *material* included in the IPSASB Conceptual Framework, except that the Conceptual Framework refers to decisions that primary users make on the basis of the entity’s ‘general purpose financial reports’, whereas IPSAS 1 refers to ‘general purpose financial statements’.

Conceptual Framework, para 3.32 – per ED 93	IPSAS 1, para 7 – per ED 93
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. [...]	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 general

	purpose financial statements prepared for that reporting period.
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5. We consider the difference highlighted above to be intentional, highlighting different boundaries of the relevant pronouncements. IPSAS 1 relates to the preparation of general purpose *financial statements*, whereas the Conceptual Framework covers the broader general purpose *financial reports* (GPFR). GPFRs encompass information prepared in accordance with the IPSASB's Recommended Practice Guidelines (RPG) (e.g. service performance information), and may, in the future, include sustainability disclosures.
6. We recommend that this distinction, along with its rationale and implications for preparers, be clearly articulated in the Basis for Conclusions. In particular, we suggest clarifying whether preparers are expected to consider materiality in the context of the entity's full suite of GPFR (as implied by the Conceptual Framework definition of materiality), in addition to considering materiality specifically for the general purpose financial statements (as required in IPSAS 1). We consider this clarification to be important in the light of ongoing developments in sustainability reporting and the IPSASB's recent deliberations on whether to develop authoritative guidance based on RPG 1 and RPG 3.
7. If our assumption is incorrect and the different terms do not denote a narrower and broader set of statements, then we recommend that the IPSASB require materiality considerations across the whole set of GPFRs.

IPSAS 1 vs IPSASB SRS 1

8. Additionally, we encourage the IPSASB to consider the following: IPSASB SRS ED 1 defines materiality with reference to decisions made based on the entity's GPFR, for climate-related disclosures. Moreover, the description of users of financial reports and materiality requirements in SRS ED 1 appears broadly aligned with the materiality requirements in IPSAS 1 for general purpose financial statements. We encourage the IPSASB to consider the similarities and differences in the information needs of primary users and the nature of their decisions with respect to the financial statements versus climate-related disclosures. These differences may have implications on how materiality requirements are articulated in IPSAS Standards compared to the IPSASB SRS. In doing so, we note the importance of connectivity between financial and sustainability reporting, while also recognising the differences in their respective boundaries, the time horizons, and the nature of information they contain.

‘Primary users’ and ‘users’ in IPSAS Standards

9. The ED clarifies that the terms ‘primary users’ and ‘users’ should be read interchangeably in the Conceptual Framework. Paragraph BC 46 of IPSAS 1 implies that these terms should also be read interchangeably throughout IPSAS Standards.
10. Paragraph BC 46 of IPSAS 1 notes that *‘the IPSASB thinks that it is not necessary to make amendments to change all instances of ‘users’ to ‘primary users’ in IPSAS Standards. Part 1 of this ED clarifies that these terms are intended to be interpreted in the same way and proposes adding a footnote to paragraph 2.4 of the Conceptual Framework that states that throughout the Conceptual Framework, the terms ‘primary users’ and users’ are both used to refer to those service recipients and their representatives and resource providers and their representatives who must rely on general purpose financial reports for much of the financial information they need’.*
11. However, it is not explicitly stated at any point in the authoritative text of IPSAS Standards or in the Conceptual Framework that these terms should be read interchangeably throughout the IPSAS Standards. The proposed footnote for the Conceptual Framework refers only to the interchangeability of the terms within the Conceptual Framework, rather than IPSAS Standards.
12. It is also important to note that ‘primary users’ are a subset of ‘users’, and this distinction is intended to provide a narrower focus for materiality judgements. Without the context of ‘other users’ as referred to in paragraph 2.6 of the Conceptual Framework, BC46 of IPSAS 1 and the proposed footnote in the Conceptual Framework could be misinterpreted to mean that users and primary users are the same group.
13. In addition, the proposed Basis for Conclusions does not provide clarity that the IPSASB have undertaken a review of all instances where the term ‘users’ is employed across IPSAS Standards to determine whether it can be appropriately replaced with ‘primary users’. Without this analysis, unintended consequences could arise from such a substitution, particularly in contexts where the broader term ‘users’ may have been intended to include stakeholders beyond the defined ‘primary users’. Considering IPSAS Standards become legal instruments in certain jurisdictions, it is important to ensure that:
 - (a) the term ‘primary users’ is appropriate in the context of each instance of ‘users’ within IPSAS Standards given it is a sub-set of ‘users’; and
 - (b) where appropriate, ‘primary users’ is substituted for ‘users’ within IPSAS Standards to prevent any misinterpretation between the two terms.

14. On this basis, we recommend the IPSASB update all relevant instances of 'users' to 'primary users' where appropriate within IPSAS Standards, and revise paragraph BC 46 of IPSAS 1 to reflect this review. We understand this may be a significant undertaking, but believe it is essential to maintain the integrity of the Standards and avoid unintended consequences.
15. For similar reasons, it would be our recommendation that within the Conceptual Framework, all relevant instances of 'users' are also updated to 'primary users' where appropriate, rather than providing the proposed footnote.

Removing 'prepared for that reporting entity' from paragraph 30 of IPSAS 14

16. In paragraph 30 of the proposed amendments to IPSAS 14, the wording 'prepared for that reporting entity' is superfluous. Paragraph 87 of IPSAS 19 which uses similar wording to paragraph 30 of IPSAS 14, does not include 'prepared for that reporting entity' at the end of the paragraph. Excluding 'prepared for that reporting entity' does not change the meaning of the sentence, and for consistency and conciseness should be removed.