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**CANADA**

## **Public Sector Accounting Standards Board-Kenya Comments to *IPSAS Exposure Draft (ED) 93, Definition of Material (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework)***

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The Public Sector Accounting Standards Board (PSASB) is mandated by Section 194 of the PFM Act, 2012, to prescribe frameworks and establish generally accepted standards for developing and managing accounting and financial systems by all state organs and public entities. The Board mainstreams best practices for effective governance, internal controls, and risk management.

Reference is made to *IPSAB Exposure Draft (ED) 93, Definition of Material (Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework dated May 15, 2025. Seeking comments on the proposed alignment of the definition of material between the Conceptual Framework for General Purpose Financial Reporting and IPSAS Accounting Standards to enhance consistency.*

Public Sector Accounting Standards Board-Kenya supports this development and requests that the IPSASB consider the following as it undertakes the project.

### **Specific Comments and Recommendations:**

#### **1. Alignment with Primary Users (Paragraph 3.32 of the Conceptual Framework):**

- **Support for "Primary Users":** We agree with the proposed addition of "primary" before "users" in the definition of material. This clarifies that materiality judgments should be made with the specific information needs of primary users (service recipients, resource providers, and their representatives) in mind, rather than a broader, less defined user group. This alignment is fundamental to the conceptual framework and its objective of providing helpful information for accountability and decision-making in the public sector.
- **Clarity on "Reasonably be Expected to Influence":** We agree with the proposed change from "could influence" to "could reasonably be expected to influence," which offers a more practical and less absolute threshold for materiality. This acknowledges that materiality involves professional judgment and a degree of common sense, rather than an exhaustive consideration of every remote possibility. We believe this will aid preparers in applying the concept.

#### **2. Consideration of "Obscuring Information" as a Materiality Factor:**

- **Strong Support:** We commend the IPSASB for including "obscuring information" to assess materiality. In the context of public sector entities, where financial reports can often be

voluminous and complex, providing too much information (even if individually immaterial) can inadvertently obscure truly material information. This addition is a vital recognition of the qualitative aspect of materiality and will encourage more concise and impactful reporting.

### **3. Amendments to IPSAS 1 (Presentation of Financial Statements) and IPSAS 3 (Accounting Policies, Changes in Accounting Estimates and Errors):**

- **Consistency Achieved:** The proposed amendments to IPSAS 1 and IPSAS 3 effectively align the material definition with the revised Conceptual Framework. This consistency greatly benefits preparers and users, reducing potential ambiguity and fostering a more unified understanding of materiality.

### **Recommendations**

1. IPSASB may consider providing further illustrative guidance on how preparers can identify and avoid obscuring material information. This could include examples of common instances of information overload and strategies for effective aggregation and disaggregation.
2. IPSASB may consider providing a step-by-step approach when making judgements as to what is regarded as material for disclosure purposes, and if possible, provide practical examples to guide the preparation of financial statements.



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