Proposed IPSAS Practice Statement: *Making Materiality Judgments*

ED 220

ACCOUNTING STANDARDS BOARD

Disclaimer

The views and opinions expressed in this presentation are those of the individual. Official positions of the ASB on accounting matters are determined only after extensive due process and deliberation.

Background to IPSASB Materiality project

Phase 1	Phase 2	Phase 3
Enhance consistency of "material " definition	Materiality in IPSAS Standards	Materiality in IPSASB SRS Standards
Enhance consistency of "material" definition between IPSAS Conceptual Framework and IPSAS	Develop non-authoritative guidance aligned with IFRS Practice Statement 2 *Making Materiality Judgements*	Develop guidance on making materiality judgements when preparing sustainability reporting in accordance with IPSAS SRS Standards

Locally issued as ED 220

Local impact of Practice Statement

- ASB issued Guideline on *The Application of Materiality to Financial Statements* (Materiality Guideline) in 2019
  - Provides guidance on applying the concept of materiality when preparing financial statements in accordance with the Standards of GRAP
  - Not authoritative but entities encouraged to apply when preparing their financial statements
- NO impact as local guidance on the application of materiality when preparing financial statements is already available

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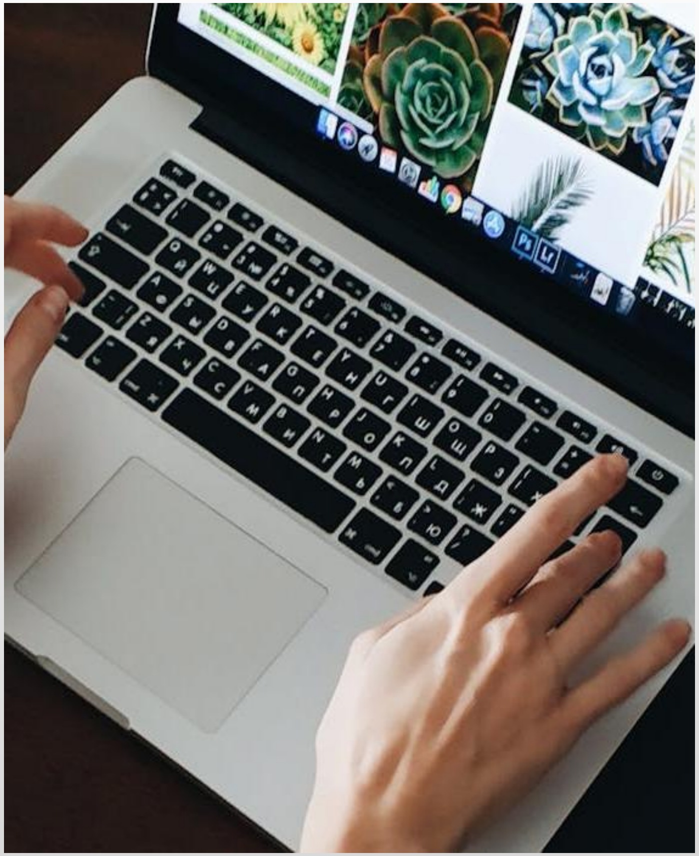
IPSASB Practice Statement

- Practice Statement is non-mandatory guidance
- Based on IFRS® Practice Statement 2: *Making Materiality Judgements*
- Objective of guidance:
  - Overview of general characteristics of materiality
  - Four-step process to follow in making materiality judgements
  - Guidance on how to make materiality judgements in specific circumstances – prior period info, errors and covenants



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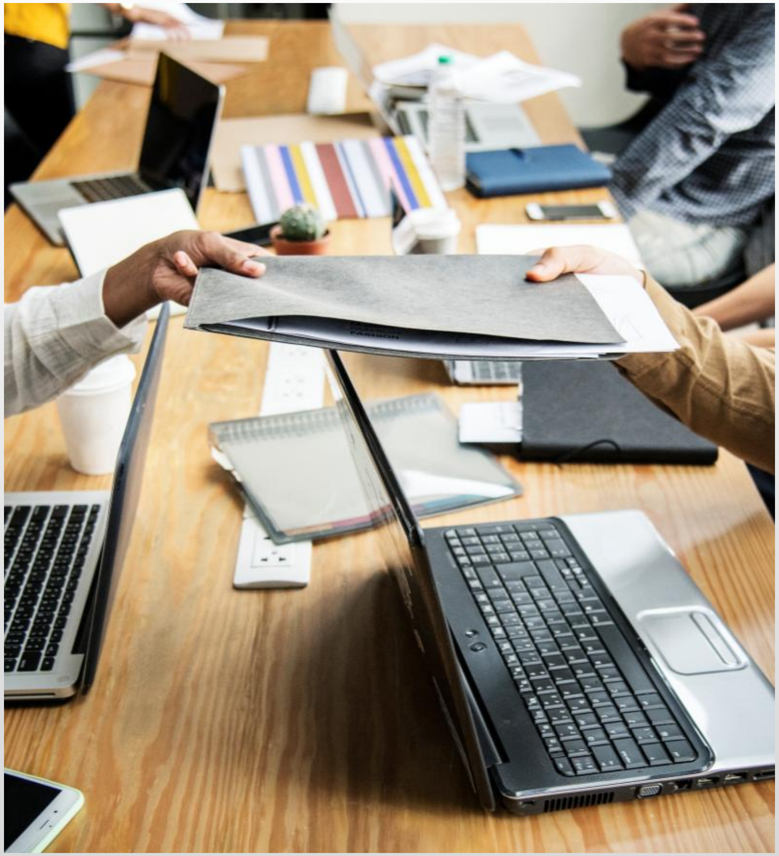
General characteristics

Reference: Paragraphs 5 to 30

- Replaced definition of material and description of primary users
- Adopted guidance on
  - materiality judgements are pervasive
  - primary users and their information needs
  - interaction with local laws and regulations
- Adopted and added new examples



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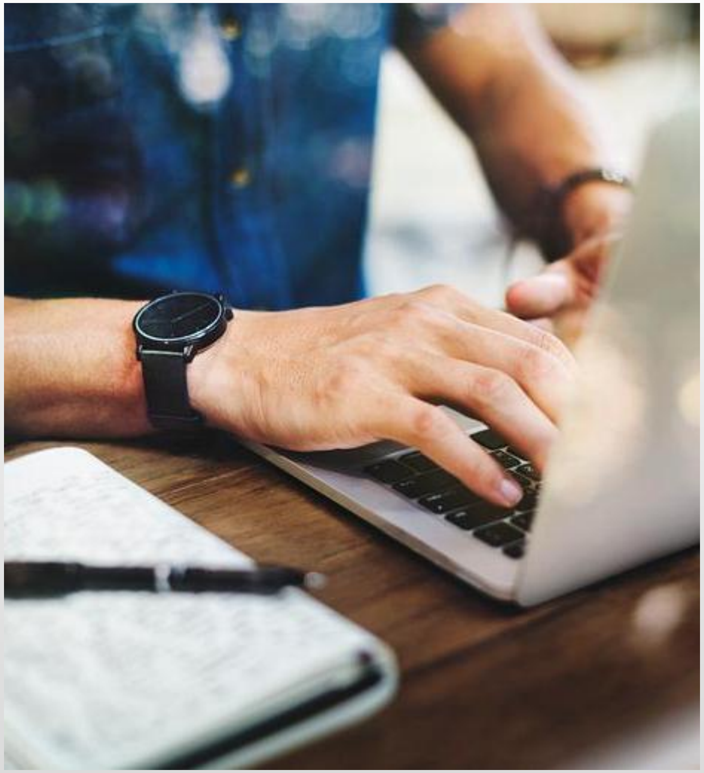
Four step materiality process



Reference: Paragraphs 31 to 64

- Four steps include (diagram par 36):
  - **Identify** information that has potential to be material
  - **Assess** whether information identified in step 1 is material
  - **Organise** information in f/s in a way that communicates it clearly and concisely to primary users
  - **Review** f/s to determine whether all material information was identified and materiality considered from wide perspective and in aggregate on basis of complete set of f/s

Guidance: Specific circumstances

Reference: Paragraphs 68 to 85

- Guides specific topics
  - Prior-period information
  - Errors
  - Information about covenants

Specific matters for comment

Specific Matter for Comment 2:

Do you find the examples on applying the concept of materiality when preparing financial statements in accordance with IPSAS Standards helpful? Do you think any additional practical examples should be included? If so, what scenarios should the examples address? Please be as specific as possible and explain why those examples would be helpful to entities.

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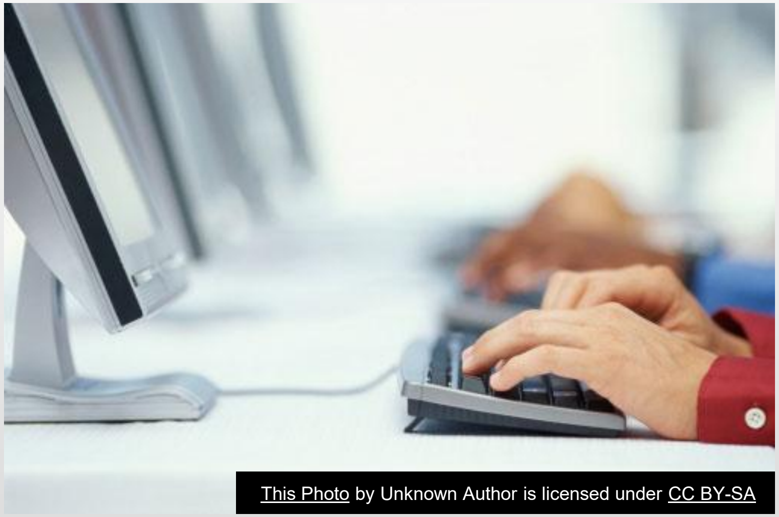
IPSASB Practice Statement

Alternative view

- Support objective to provide non-mandatory guidance to assist entities in making materiality judgements and approach to align with IFRS guidance
- Disagrees that proposals in ED are sufficiently adopted for public sector context



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Specific matters for comment

Specific Matter for Comment 1:

The IPSASB decided to issue developing non-mandatory guidance in making materiality judgements when preparing financial statements aligned with Practice Statement 2 (see paragraphs BC10–BC22). Do you agree with how the IPSASB adapted Practice Statement 2 guidance for the public sector context? If not, please explain your reasons. If you agree, please provide any additional reasons not already discussed in the Basis for Conclusions.

The ED includes an Alternative View that the non-mandatory guidance in [draft] IPSAS Practice Statement, Making Materiality Judgments, could benefit from further public-sector adaptation.

Any other comment?

Way forward

- Local comment deadline – 14 August 2026
- Submit comment letter to IPSASB – due 28 August 2026

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