

Making Materiality Judgments – December 2025 CAG Report Back

1. A summary of the advice provided by CAG members from the December 2025 CAG Meeting and how the IPSASB staff has responded to the CAG member comments are included in the table below:

Representatives' and Observers' Comments	IPSASB Staff Response
December 2025 CAG Meeting Comments	
<p>IPSASB Principal, Agustina Llambi, and IPSASB Manager, Karen Leung, presented a summary of the IPSASB's <i>Making Materiality Judgments</i> narrow-scope project, with an overview of the non-authoritative guidance that will be adapted for the public sector (IFRS® <i>Practice Statement 2: Making Materiality Judgements</i> (Practice Statement 2) and ISSB education material, <i>Sustainability-related risks and opportunities, and the disclosure of material information</i>).</p> <p>Ms. Llambi and Ms. Leung asked CAG members to consider the following questions:</p> <ul style="list-style-type: none"> • Question 1 (Financial Reporting) – From your perspective/the perspective of your jurisdiction, please share examples of specific IPSAS Standards principles where entities have difficulty applying the concept of materiality when preparing financial statements, such as the identification of primary users; primary users' information needs; and recognition and measurement requirements in IPSAS Standards. • Question 2 (Sustainability Reporting) – Drawing on your experience/experience in your jurisdiction, do CAG members have examples of how materiality is currently applied in the context of sustainability-related financial disclosures? From your perspective, what insights could help inform the IPSASB in developing guidance for the public sector? 	
The CAG members commented on Question 1 as follows:	
<ol style="list-style-type: none"> 1. Mr. Smith Mansilla supported the development of public-sector guidance aligned with Practice Statement 2 and recommended adding an example to help jurisdictions assess when budget over-execution becomes material, drawing on both quantitative and qualitative factors. 	<p>Noted by the IPSASB staff. The application of how to make materiality judgements in the context of budgeting is outside the scope of the project which is limited to the development of guidance on making materiality judgments when preparing financial statements in accordance with IPSAS Accounting Standards.</p>

<p>2. Ms. Attia noted that the updated materiality definition shifts focus from quantitative thresholds to considering user needs and the qualitative importance of information. She provided two examples in her jurisdiction that are quantitatively immaterial but are qualitatively material: small grants for social programs, and pilot infrastructure expenses for testing heat-resistant asphalt. She encouraged the IPSASB to incorporate such qualitative-focused examples to better guide public sector entities in applying materiality.</p>	<p>Noted by the IPSASB staff. (draft) ED XX, IPSAS Practice Statement: <i>Making Materiality Judgments</i> includes the examples which are qualitatively focused, such as:</p> <ul style="list-style-type: none"> • Example B—Qualitative Materiality Judgments on the Application of Accounting Policies • Example E—Materiality Judgments on Presentation Specified by IPSAS Standards
<p>3. Mr. Winrow suggested that the guidance discuss the types of decisions made by primary users, particularly the general public, in the public-sector. He advised the IPSASB to add an example that illustrates the potential information needs of different primary users, and that financial statement disclosure identifies the intended recipients. Additionally, he observed that public sector financial statements often contain extensive immaterial information on recognition and measurement, and advised that the guidance further address how entities should remove immaterial information to enhance understandability.</p>	<p>Noted by the IPSASB staff. (Draft) ED XX, IPSAS Practice Statement: <i>Making Materiality Judgments</i> includes:</p> <ul style="list-style-type: none"> • Type of decisions primary users make based on financial statements; • Examples that illustrate primary users information needs; and • Guidance and examples, consistent with the definition of material, noting that material information should not be obscured by immaterial information. For example, it includes a Four-Step Materiality Process that offers an efficient and effective way to make materiality judgments.

<p>4. Mr. Braham acknowledged that primary users in the public sector can include a broad range of users, which may result in excessive disclosures that reduce the overall relevance of information. He emphasized the need for preparers to explicitly consider the entities' governance structure, oversight bodies, and context at both the consolidated and local levels when identifying their primary users. He encouraged the IPSASB to develop guidance that promotes the exercise of judgment. In addition, Mr. Braham encouraged the IPSASB to explore the reverse perspective, clarifying what is <i>immaterial</i>, to help entities reduce unnecessary disclosures.</p>	<p>See response to comment 3 above.</p>
<p>5. Ms. Stachniak emphasized that primary users are not a homogeneous group, and identifying their common information needs can be difficult as their different interests may affect their relative materiality assessments. She noted that qualitative factors can be especially important in the public sector. For example, a small-value grant to a politically sensitive institution might need disclosure due to its public significance. She also encouraged the IPSASB to consider the following:</p> <p>Tensions exist between the “checkbox” compliance mentality and the obligation to provide faithfully representative information. For example, where entities act as agents in significant government programs, relevant disclosures can help primary users understand the entity’s role even if these programs don’t generate recognized assets.</p> <p>The assessment of materiality can be expected to differ at each level of government, posing challenges in consolidating and aggregating information.</p>	<p>See response to comment 3 above.</p>

<p>6. Mr. Close reaffirmed the aforementioned materiality challenges observed by fellow CAG members. Materiality assessments often diverge between levels: at the individual entity versus whole-of-government consolidated level, and at an individual asset versus asset class level. He concurred that public interest considerations may render financially immaterial items material. He encouraged the IPSASB to consider how to strike the right balance when developing this guidance to avoid over-disclosure and under-disclosure, and to leverage existing work to simplify the language and volume of disclosures.</p>	<p>See response to comment 3 above.</p>
<p>7. Ms. Buljubasic noted that because many public-sector entities do not clearly distinguish primary users from the general public, materiality assessments often focus on formal regulatory compliance rather than the information needs of primary users. Therefore, guidance to better help entities identify primary users and their information needs would be valuable. Ms. Buljubasic highlighted challenges in applying recognition and measurement requirements, and recommended the IPSASB include practical examples in its guidance illustrating how to apply judgment in making materiality assessments, as well as both good-practice and poor-practice examples to support consistent application.</p>	<p>Mr. Smith emphasized that although the IPSASB's materiality guidance is now aligned with the private sector, the project aims to adapt IFRS Practice Statement 2 for the public sector rather than removing the need for professional judgment. He highlighted that no guidance at the international level can fully address the complex, context-specific issues raised by some CAG members. He emphasized that entities must continue to exercise judgment in identifying their primary users, understanding their information needs, and applying both quantitative and qualitative considerations of materiality. This applies across reporting levels, whether preparing single-entity or consolidated financial statements, and may require entities to establish multiple materiality thresholds depending on the reporting boundary.</p>
<p>8. Mr. Araya Zúñiga noted that in Costa Rica, materiality is linked to service potential rather than the generation of economic benefits. As such, qualitative, rather than quantitative, factors are often more relevant when applying the concept of materiality.</p>	<p>See response to comment 3 above.</p>

<p>9. Mr. Melo highlighted that materiality in the public sector must consider the diversity of primary users and the multiple levels at which materiality assessments happen: the entity level, the line-ministry level, and the whole-of-government level (with analogous layers for municipalities and regions). He highlighted that various users and contexts require different materiality approaches, making the development of guidance challenging.</p>	<p>See response to comment 7 above.</p>
<p>10. Mr. Johri stressed that materiality is a granular, entity-specific concept that cannot be uniformly generalized across sectors or industries; rather, it varies with organizational size, nature, and activities. He suggested that the guidance focus on broad principles rather than prescriptive rules, allowing entities appropriate flexibility to apply judgment. He noted that some disclosures are required irrespective of materiality due to legal, regulatory, or compliance obligations, and that non-compliance itself may become material.</p>	<p>See response to comment 7 above.</p>
<p>11. Ms. Zhou, on behalf of Ms. Sanz Redrado, conveyed a European Commission example involving IPSAS 43, <i>Leases</i>. When the Commission raised its general fixed-asset capitalization threshold, stakeholders questioned whether the low-value lease threshold still applied. She suggested clarifying that the low-value exemption does not override an entity's general capitalization threshold.</p>	<p>Noted by the IPSASB staff. (draft) ED XX, IPSAS Practice Statement: <i>Making Materiality Judgments</i> includes examples A and B on capitalization thresholds.</p>
<p>The CAG members commented on Question 2 as follows:</p>	
<p>12. Ms. Attia noted that confidentiality is a major concern in her jurisdiction and advised that materiality guidance should allow qualitative or aggregated disclosures to avoid revealing sensitive project or technology information.</p>	<p>This point was noted by IPSASB staff and will be considered in the development of Phase 3 of the Making Materiality Judgments project.</p>

<p>13. Ms. Stachniak observed that sustainability reporting materiality differs from financial reporting materiality because entities must first determine which ESG impacts, risks, and opportunities are material, particularly under the EU's double-materiality approach.</p>	<p>See response to Comment 12 above.</p>
<p>14. Mr. Araya Zúñiga explained that Costa Rica often supplements IFRS concepts with other frameworks, like Global Reporting Initiative (GRI), to capture public institutions' external impacts in its sustainability materiality assessments.</p>	<p>The IPSASB has developed its materiality guidance for sustainability based on existing guidance in its conceptual framework. As part of the development of materiality for sustainability reporting, the IPSASB did consider other guidance, including GRI. However, the IPSASB concluded its materiality concept was most appropriate for guidance that applies to information in General Purpose Financial Reports.</p>
<p>15. Mr. Melo reported that Portugal approaches sustainability materiality similarly to audit materiality, combining financial magnitude with climate or SDG impact. The assessment remains heavily influenced by auditors, with double-materiality assessments still emerging. Mr. Melo added that legal requirements for climate data in Portugal are prompting auditors to drive double-materiality assessments, underscoring the influence of the regulatory environment.</p>	<p>See response to Comment 14 above.</p>
<p>16. Mr. Winrow commented that sustainability reporting risks excessive detail driven by stakeholders beyond primary users and suggested that guidance should help entities narrow disclosures. He also questioned the sequencing of guidance for own operations versus public policy programs.</p>	<p>See response to Comment 12 above.</p>
<p>17. Ms. Hall noted that through its materiality studies, the Asian Development Bank identified that the materiality assessment can become complex due to diverse stakeholder views and tend to focus narrowly on topics covered by current standards.</p>	<p>See response to Comment 12 above.</p>

<p>18. Ms. Colignon added that ISO-based criteria used in her jurisdiction, particularly for indirect emissions, may help inform materiality guidance, and stressed the need to clearly distinguish different uses of materiality, especially given European Sustainability Reporting Standards (ESRS) developments.</p>	<p>Mr. Smith clarified that IPSASB guidance will be based solely on the IPSASB's materiality concepts, as it cannot address all jurisdiction-specific legal frameworks, leaving that role to national standard setters.</p> <p>See also response to Comment 12 above.</p>
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