



Exposure Draft (ED) 97, IPSAS Practice Statement, Making Materiality Judgments

This summary provides an overview of [ED 97, IPSAS Practice Statement, Making Materiality Judgments](#)

Project Objective:	The objectives of the IPSAS ED are to develop non-mandatory guidance on making materiality judgments when preparing financial statements in accordance with IPSAS® Accounting Standards, aligned with IFRS® Practice Statement 2 <i>Making Materiality Judgements</i> (Practice Statement 2), adapted to the public sector context.
Project Stage:	The IPSASB issued IPSAS ED 97 in April 2026.
Next Steps:	The IPSASB seeks feedback on IPSAS ED 97 to guide the development of non-mandatory guidance on the application of materiality when preparing general-purpose financial statements in accordance with IPSAS Standards.
Comment Deadline:	IPSAS ED 97 is open for public comment until August 28, 2026.
How To Respond:	Respondents are asked to submit their comments electronically through the IPSASB website, using the “Submit a Comment” link. Please submit comments in both a PDF <u>and</u> Word file. All comments will be considered a matter of public record and will ultimately be posted on the website.

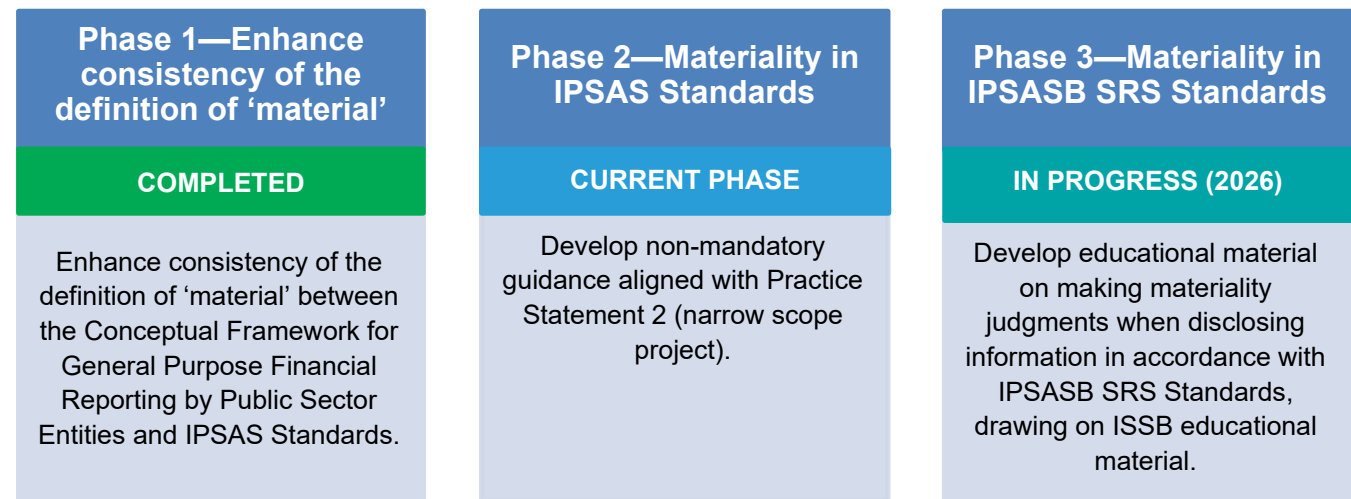
Project Overview

The purpose of the Making Materiality Judgments project is to develop guidance on making materiality judgments when preparing general purpose financial reports in accordance with IPSASB Standards.

Why the IPSASB Undertook this Project

In response to the IPSASB's 2021 Mid-Period Work Program Consultation, some stakeholders highlighted that they are inclined to use disclosure requirements in IPSAS Standards as a checklist rather than applying judgment to determine which information is material to the primary users of general purpose financial statements.

The project will be undertaken in three distinct phases, each with its unique scope.



Phase 2 – Why issue Non-mandatory Guidance on the Application of Materiality?

What is materiality?

According to IPSAS 1, *Presentation of Financial Statements*, ‘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.’

Consequently, the concept of materiality acts as a filter through which management sifts information. This filter ensures that financial statements include all material information necessary for accountability purposes and for primary users to make informed decisions. That filter also enables management to present material information clearly and effectively by excluding information that is not material.

Why do some stakeholders find materiality difficult to apply?

- Whether information is material is a matter of judgment based on a range of factors and entity-specific circumstances.
- Some stakeholders have suggested that additional guidance is needed to help management understand the concept of materiality and how to apply it when preparing general purpose financial statements.

Does the guidance change the concept of materiality or principles in IPSAS Standards?

- The proposed guidance clarifies how to apply the definition of materiality that is currently in IPSAS 1.
- The proposals do not change or affect the definition of materiality and how it is applied across IPSAS Standards.
- The proposed guidance does not change an entity’s obligation to disclose material information.

Why have we proposed to issue standalone non-mandatory guidance?

The IPSASB decided to issue the proposed non-mandatory guidance as an IPSAS Practice Statement because:

- Including guidance as non-authoritative in an IPSAS Standard will fail to emphasize the pervasiveness of the concept of materiality throughout IPSAS Standards;
- Issuing the guidance as a new Recommended Practice Guidelines (RPG) would conflict with the role of RPGs in the IPSASB’s reporting landscape; and
- The application of the IPSAS Practice Statement is not required to state compliance with IPSAS Standards.

Phase 2 - Overview of the ED 97, *IPSAS Practice Statement, Making Materiality Judgments*

The proposed guidance discusses the characteristics of materiality and highlights how they should be applied in practice when making materiality judgments.

A Four-Step Materiality Process

The proposed guidance includes a systematic process for making materiality judgments when preparing general purpose financial statements in accordance with IPSAS Standards. The description of the materiality process provides an overview of the role materiality plays in the preparation of financial statements, with a focus on the factors the entity should consider when making materiality judgments.

These are the steps identified as a possible approach:

Step 1—Identify. Identify information that has the potential to be material.

Step 2—Assess. Assess whether the information identified in Step 1 is, in fact, material.

Step 3—Organize. Organize the information within the draft financial statements in a way that communicates the information clearly and concisely to primary users.

Step 4—Review. Review the draft financial statements to determine whether all material information has been identified and materiality considered from a wide perspective and in aggregate, on the basis of the complete set of financial statements.

Specific Topics and Examples

In addition to the proposed guidance on the general characteristics of materiality, its application, and the four-step materiality process, the proposed guidance includes how to make materiality judgments in specific circumstances:

- Prior-period information;
- Errors; and
- Information about covenants.

The proposed guidance includes examples illustrating how an entity might apply some of its guidance when applying the concept of materiality to presentation, recognition, measurement, and disclosure principles in IPSAS Standards.

In addition to guidance aligned with Practice Statement 2, several public sector examples were added, including:

- Example B—Materiality Judgments on the Application of Accounting Policies
- Example D—Materiality Judgments on Presentation Specified by IPSAS Standards
- Example E—Materiality Judgments that Lead to the Disclosure of Information in Addition to the Specific Disclosure Requirements in IPSAS Standards
- Example F—Identification of Primary Users
- Example J—Information that is Material According to IPSAS Standards not Required by Local Laws and Regulations

Next Steps

The deadline for comments is August 28, 2026.

The IPSASB members are available to discuss the proposals during the comment period.



How Can I Comment on the Proposals?

The ED requests comments on two Specific Matters for Comment (SMCs) on which the IPSASB is seeking views.

Respondents may choose to answer all SMCs or just a selected few. The IPSASB welcomes comments on any other matters within the scope of the project that respondents think it should consider in forming its views.

Respondents are asked to submit their comments electronically through the IPSASB website, using the "[Submit a Comment](#)" link. Please submit comments in both a PDF and a Word file.

All Comments will be considered a matter of public record and will be posted on the IPSASB website.

The IPSASB will carefully consider all feedback and discuss responses at its public meetings after the comment period has ended.

Stay Informed

The IPSASB's website will indicate the meetings at which feedback on the ED will be discussed. The dates and the locations of the [year] meetings are available at:

<https://www.ipsasb.org/meetings>

To stay up to date about the project, please visit:

<https://www.ipsasb.org/consultations-projects/making-materiality-judgements-phase-2>