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28 August 2026

Thomas Müller-Marqués Berger
Chair
International Public Sector Accounting Standards Board
70 York Street, Suite 710,
Toronto, ON M5J 1S9, Canada

Via online submission: website

Dear Thomas,

Exposure Draft 97 Proposed IPSAS Practice Statement - Making Materiality Judgments

As one of the largest professional accounting bodies in the world, CPA Australia represents the diverse interests of more than 175,000 members working in over 100 jurisdictions and regions around the world, working in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally. We provide the following feedback on the International Public Sector Accounting Standards Board (IPSASB) Exposure Draft 97 Proposed IPSAS Practice Statement - Making Materiality Judgments (ED 97).

Overall, we support the IPSASB's objective of developing non-mandatory guidance on making materiality judgements for public sector entities and generally agree with the approach taken to adapt IFRS Practice Statement 2: Making Materiality Judgements (IFRS Practice Statement 2) to the public sector context.

We welcome the additional public sector adaptations and examples in ED 97, while noting that further public sector-specific application support would be beneficial, particularly in areas requiring significant judgement.

Our comments also identify areas where further guidance or practical examples could assist preparers, including qualitative and quantitative considerations, primary users, budget and accountability, and connectivity with service performance and sustainability reporting.

We consider that such guidance and examples should support the exercise of entity-specific judgement and provide practical insight without becoming overly prescriptive or creating a checklist for determining materiality.

If you require further information, please contact me at ram.subramanian@cpaaustralia.com.au.

Yours sincerely

Ram Subramanian FCPA
Financial Reporting Lead
CPA Australia

ATTACHMENT – CPA AUSTRALIA'S RESPONSES

Specific Matter for Comment 1:

The IPSASB decided to issue developing non-mandatory guidance in making materiality judgments 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.

We support the IPSASB's objective of developing non-mandatory guidance on making materiality judgements for public sector entities and generally agree with the approach taken to adapt the guidance in IFRS Practice Statement 2 to the public sector context.

From an Australian perspective, we are not aware of significant concerns with the application of AASB Practice Statement 2 in Australia, which is closely based on IFRS Practice Statement 2, and applies to both for-profit and not-for-profit entities in the private and public sectors. As such, we welcome the additional public sector adaptations in ED 97, including the public sector-specific examples, which provide useful guidance for applying materiality judgements in a public sector context.

We consider proposal from ED 97 a useful starting point and believe that further public sector-specific practical application support would be beneficial. The guidance is generally high-level and may not sufficiently assist preparers in developing and applying entity-specific or sub-sector specific materiality frameworks or methodologies in practice. Further guidance would be useful in areas requiring significant judgement, including the interaction between qualitative and quantitative considerations, and the role of budget information in assessing accountability and materiality judgements.

We encourage the IPSASB to further develop and provide practical examples and guidance on:

- Qualitative and quantitative considerations

  We agree with the Alternative View that further guidance is needed on the interaction between qualitative and quantitative considerations in the public sector context. Given the broader range of primary users, the emphasis on accountability for public resources and service delivery, and the highly legislated environment that many public sector entities operate in, qualitative considerations may be more prevalent in the public sector. We therefore support further guidance and illustrative examples on identifying and applying materiality considerations to qualitative disclosures, including circumstances where such considerations may be decisive or result in information being material despite no financial quantification of such factors.

- Primary users

  We consider that further clarification would be helpful regarding the treatment of primary users when making materiality judgements. We note that paragraph BC15 of ED 97explains that the guidance relating to potential primary users was removed because the IPSASB's Conceptual Framework focuses on existing primary users. However, paragraph 14 of ED 97 refers to the potential primary users that an entity should consider when making materiality judgements. We encourage the IPSASB to clarify whether, and to what extent, entities should consider the information needs of potential users when assessing materiality, and how this should be applied in practice.

- Budget information and accountability

  We agree with the IPSASB's conclusion that guidance on the interaction between materiality and approved budgets is outside the scope of the current project. At the same time, we see merit in the Alternative View that this is an area that would benefit from further consideration in the future. Given the central role of approved budgets in the public sector accountability cycle, further guidance on how budget and budget-to-actual information should be considered when making materiality

judgements would be beneficial. Illustrative guidance on identifying potentially material budget variances and assessing the materiality of explanations of such variances could assist preparers in applying the materiality principles in practice.

- Connectivity between financial statements, service performance report and sustainability report

  We also consider that the guidance could acknowledge the relevance of materiality judgements beyond financial statements, including in service performance and sustainability reporting. Greater consideration of the connectivity between these reporting areas and financial statements would support a more holistic approach to materiality in the public sector.

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.

We consider the examples included in ED 97 to be helpful in illustrating the application of materiality judgements across a range of circumstances. However, further examples could provide greater practical application support, particularly in areas involving significant judgement and matters that are prevalent in the public sector.

We suggest that additional examples consider the following areas. Such examples should be sufficiently illustrative to demonstrate the application of the underlying principles, while allowing entities to exercise judgement based on their specific circumstances and avoiding an overly prescriptive or checklist-based approach.

- Qualitative factors overriding or significantly influencing quantitative considerations

  An example could illustrate a quantitatively small item that is nevertheless material because of its nature, public interest, accountability implications, or compliance with legislation or regulation. This would help demonstrate how qualitative considerations may affect the assessment of materiality in a public sector context.

- Connectivity with other reporting

  Examples illustrating how materiality judgements in financial statements may interact with service performance reporting and sustainability reporting, and how entities can consider connectivity between these reporting areas

- Public sector-specific obligations and transactions

  Examples could address funding commitments, conditions attached to grants and transfers, restrictions on appropriations and non-exchange transactions. These examples would help demonstrate how the proposed materiality principles apply to matters that are particularly relevant to public sector entities.

- Budget and budget-to-actual information

  As mentioned above in our response to Specific Matter for Comment 1, while recognising that this is outside the scope of the current project, we see merit in the Alternative View that the interaction between materiality and approved budgets warrants further consideration in the future, including through illustrative examples of material budget variances and explanations in the context of accountability.

We consider that such examples would complement the existing examples and provide more practical application support for preparers, while supporting the exercise of entity-specific judgement rather than creating a prescribed set of circumstances or a checklist for determining materiality.