

Roundtable Discussion: IPSASB Exposure Draft 97, International Public Sector Accounting Standards Practice Statement, Making Materiality Judgments

Extract, Public Sector Accounting Discussion Group Meeting Report – May 28, 2026

The [International Public Sector Accounting Standards Board](#) (IPSASB) recently published [Exposure Draft 97, IPSAS Practice Statement, Making Materiality Judgments](#) (ED 97). ED 97 provides illustrative guidance to support consistent application of materiality in practice. Comments are due by August 28, 2026.

Given PSAB's [International Strategy](#), the IPSASB's projects may be considered by PSAB as part of its future international activities. Additionally, in support of PSAB's [2022-2027 Strategic Plan](#), PSAB influences the development of International Public Sector Accounting Standards (IPSAS) through "submitting PSAB responses to IPSASB documents for comment, including consulting Canadian interested parties."¹⁹

An IPSAS Practice Statement is non-mandatory guidance developed by the IPSASB. It is not a Standard, and therefore, its application is not required to state compliance with IPSAS.²⁰

The proposed practice statement clarifies how to apply the definition of materiality that is currently in IPSAS 1, Presentation of Financial Statements.

The proposals do not change or affect the definition of materiality and how it is applied across IPSAS.

The proposed guidance does not change an entity's obligation to disclose material information.

The Group was asked to consider this session as a Canadian roundtable on the IPSASB's ED 97, addressing the specific matters for comment and the questions posed by the IPSASB staff. The Group's input will inform PSAB's response to the IPSASB's ED 97 and will provide valuable Canadian perspectives to the IPSASB.

Roundtable discussion on the IPSASB's ED 97

Group members commended the IPSASB on the following aspects of ED 97:

¹⁹ Enhance and strengthen relationships with other standard setters in PSAB's [2022-2027 Strategic Plan](#).

²⁰ See paragraph IN6 of the IPSASB's [Exposure Draft 97, IPSAS Practice Statement, Making Materiality Judgments](#).

- the high-quality nature of the document, noting alignment with Chapter 7 of the Conceptual Framework for Financial Reporting in the Public Sector: “Financial Statement Information: Qualitative Characteristics and Related Considerations”;
- the regulatory aspect addressed within the document and the helpful examples provided to assist in the practical application of the document;
- the four-step process that was provided and the fact that the document did not create new recognition or disclosure requirements, but instead provided for the use of professional judgment; and
- the fact that examples provided were embedded within the theory of the document; members found this to be very useful from an application perspective.

Group members provided the following suggested areas of improvement to ED 97 for the IPSASB’s consideration:

- Expand the document’s public sector accountability perspectives (e.g., consider perspectives of resource providers and service recipients) and include guidance for budgetary accountability, given its importance as a key accountability measure.
- Revisit Examples A and B to consider whether it is appropriate for an entity to disclose a non-compliant practice within its accounting policies, even though both examples indicate the departures from IPSAS are not material. Specifically, paragraph 30 of IPSAS 1²¹ clarifies that non-compliance with IPSAS can not be remedied through note disclosure.
- Paragraph 55 of ED 97 presents a one-directional approach, suggesting that quantitative factors should be assessed before qualitative factors. In the public sector however, qualitative factors may at times be more significant for decision making purposes. Accordingly, it was recommended that the IPSASB consider expanding the discussion to also address situations where qualitative factors are considered before quantitative factors.
- Consider incorporating the following additional illustrative examples to help reflect a stronger Canadian perspective in ED 97:
 - provide examples of government grants, transfers, non-exchange transactions, and contractual rights/obligations that do not align with year-end reporting cut-off dates;
 - include an example where qualitative factors are more significant than quantitative factors;

²¹ Paragraph 30 of IPSAS 1 states: “Inappropriate accounting policies are not rectified either by disclosure of the accounting policies used, or by notes or explanatory material.”

- incorporate an example where a binding policy adopted by a public sector entity is breached, but the breach is not quantitatively material. For example, while paragraph BC17 of ED 97 explains that local laws and regulations are out of scope, a public sector entity may be subject to borrowing bylaws (e.g., limits on debt borrowing or debt servicing). These debt borrowing and servicing limitations would be supported by internally binding policies to monitor compliance, and any information relating to a possible breach of these requirements would be considered material despite not being quantitatively significant;
 - under paragraphs 23-25 of ED 97, provide a framework example to help illustrate how an organization determines who its primary users, resource providers, and service recipients, are and how to determine what their common needs may be;
 - provide additional guidance and/or an example illustrating how information within the financial statements can be “obscuring.”
- Group members also provided some minor editorial comments to ED 97, including:
 - consider replacing the word “policy” with “practice” in Examples A and B; and
 - consider replacing the term “should” with “could” in paragraph IN5, given the non-mandatory nature of the proposed guidance.