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

A public consultation issued by the International Public Sector Accounting Standards Board (IPSASB)

Comments from ACCA to the IPSASB

25 August 2026

REF: TECH-CDR-2349

About ACCA:

We are ACCA (the Association of Chartered Certified Accountants), a globally recognised professional accountancy body providing qualifications and advancing standards in accountancy worldwide.

Founded in 1904 to widen access to the accountancy profession, we have long championed inclusion and today proudly support a diverse community of over 266,100 members and 546,500 future members in 179 countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by entities and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators, and other accountancy bodies, we are strengthening and building a profession that drives a sustainable future for all. Find out more at: www.accaglobal.com.

For further enquiries please contact:

Michael Surman
Head of Public Sector
michael.surman@accaglobal.com

General Comments

ACCA welcomes the opportunity to provide comments in response to IPSASB's *Exposure Draft (ED) 97, IPSAS Practice Statement, Making Materiality Judgements*. The ability of general -purpose financial statements in the public sector to support the discharge of accountability and effective decision-making requires preparers to make high-quality judgements about the materiality of information presented in their entities' financial statements. Consequently, ACCA is supportive of IPSASB's *Making Materiality Judgements* project and looks forward to continued engagement in this project as it progresses to Phase 3.

ACCA supports the overall approach that the IPSASB has adopted to develop ED 97, by adapting IFRS Practice Statement 2 for the public-sector context. However, ACCA recommends that the IPSASB could include more illustrative examples within ED 97 to reflect the materiality judgements that preparers need to make in the public sector context. Such examples could include materiality judgements that preparers need to make to fulfil users' needs in the discharge of accountability, for example when a reporting entity has incurred expenditure which is not authorised by a legislature or ministry of finance. The exposure draft could also be strengthened by included illustrative examples in the context of IPSAS standards which do not have an IFRS equivalent, such as *IPSAS 24 – Presentation of Budget Information in Financial Statements*.

ACCA looks forward to the finalised changes from ED 97, as well as continuing to engage with the *Making Material Judgments* project in its next phase as it moves to consideration of materiality in the context of public sector sustainability reporting. We are, of course, happy to discuss or provide further information about our comments at your request.

Responses to 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.

ACCA supports the overall approach that the IPSASB has adopted to developing ED 97, by adapting IFRS Practice Statement 2 for the public-sector context. This is consistent with IPSASB's overall policy aim, which ACCA supports, to align International Public Sector Accounting Standards (IPSAS) with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Adapting an existing IFRS Practice Statement will ensure that IPSASB's own Practice Statement reflects established principles within the profession in relation to making materiality judgements. Furthermore, the four-step process is a logical and practical framework which considers materiality from both a qualitative and quantitative perspective and which preparers can apply in practice when preparing their entities' financial statements.

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 that 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

ACCA recommends that the IPSASB could enhance its proposed guidance by ensuring that its practical examples are more reflective of the materiality judgements that preparers of general-purpose financial statements may have to make in the public-sector context.

Firstly, public sector entities' financial statements play a vital role in the discharge of public accountability to legislatures and citizens. The IPSASB may, therefore, wish to include an overarching section in ED 97 alongside practical examples which address judgements that preparers need to make to support effective public accountability. For example, if the financial statements of public sector entity include classes of expenditure which have not been authorised, or have been specifically prohibited, by a legislature or a ministry of finance, preparers should give due consideration to whether the associated transactions and balances are material. Examples of this could include expenditure which a reporting entity has incurred in contravention of a Ministry of Finance mandated spending control regime.

Secondly, the IPSASB may wish to consider revisions to the practical examples in ED 97 to ensure that these are more reflective of materiality judgements which arise in the public sector. For example, paragraphs 83 to 85 and Example R in ED 97 discuss the application of materiality judgements to loan covenants and their associated disclosures in an entity's financial statements. While loan covenants are not unheard-of in the financing of public-sector entities, and this example would be relevant in such a scenario, conventional commercial bank loans governed by loan covenants are much less common in the public sector than in the private sector. An example more relevant to the public sector context might be materiality considerations which arise when an entity does not follow conditions imposed by a grant agreement with an external funding agency.

Finally, the IPSASB may wish to include examples of materiality judgements which are specific to those IPSAS standards which are unique to the public sector and do not have an IFRS equivalent. For example, a critical use of public sector financial statements in the public sector accountability cycle is their role in reporting entities' financial performance against an approved budget. Given that IPSAS 24 requires in-scope entities to present a comparison between their approved budget and actual amounts in their financial statements, the IPSASB could further enhance the examples included in ED97 by including guidance for practitioners on how to make qualitative and quantitative materiality judgements when preparing this analysis.