

Swiss Comment to ED 93 Definition of Material (Amendments to IPSAS 1, IPSAS 3 and the Conceptual Framework)

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1. Introduction

The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the cantonal Ministers of Finance. One of its aims is to provide the IPSAS Board with a consolidated statement for all three Swiss levels of government (municipalities, cantons and Confederation).

The SRS-CSPCP would like to comment on ED 93 Amendments to IPSAS 1, IPSAS 3 and Conceptual Framework as follows.

2. Context

ED93 proposes some amendments to IPSAS 1 *Presentation of Financial Statements*, IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* as well as Chapter 2 of the Conceptual Framework (IPSAS-CF), *Objectives and Users of General Purpose Financial Reporting (GPFR)*. It also includes consequential amendments to IPSAS 14 *Events after Reporting Date*, IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets*, IPSAS 42 *Social Benefits* and IPSAS 45 *Property, Plant and Equipment*,

The main purpose of these amendments is to align the definition of “material” within the IPSASB literature, i.e., the IPSASB-CF and the standards. This requires the clarification that decisions about materiality are intended to reflect the needs of the primary users of GPFR, adding the word primary.

A secondary purpose is to align the definition with IFRS, at least to the degree possible, i.e. to limit it to primary users, as does the IFRS literature. Full alignment is not possible, because the IPSAS-CF is into consideration that the primary users are using information provided by GPFR both for decision making and discharge of accountability purposes. Meanwhile, IFRS literature only considers the decision-making purpose, but not discharge of accountability.

The reason for both alignments is to avoid a broader interpretation of the term material, which could possibly include users other than primary users of GPFR. IPSASB makes it clear that the definition of material should only take into consideration primary users, not a broader group of users.

These consistency improvements are the result of Phase 1 of a broader IPSASB project on materiality. In Phase 2, IPSASB plans to develop non-authoritative guidance on materiality, aligned with the IFRS Practice Statement 2; and, finally, in Phase 3 guidance on materiality judgement in the area of sustainability reporting should be developed. However, the Phases 2 and 3 are not part of ED93.

General comments to the IPSASB

1. We are supportive of clarifications within the IPSAS literature, which avoid misunderstandings or wrong interpretations by the users of the IPSAS.
2. In substance, we agree that the definition of material should reflect the information needs of primary users, rather than of a broader group of users. It would be difficult to address the information needs by any potential user and the amendments therefore facilitate materiality judgements, at least to some degree. We are obviously aware that even with this clarification, materiality judgements remain demanding for preparers of GPFR. It would be welcome if Phase 2 has to develop non-authoritative guidance assisting materiality judgements.
3. Hence, we also agree with all the consequential amendments proposed by ED93. A quick search in the IPSAS 2025 Handbook revealed no need for additional consequential amendments.

3. Specific comments

While the SRS-CSPCP in principle agrees with the proposed changes, it would like to raise two specific areas of concern:

- (i) It should be noted that a fundamental issue lies in the fact that communication with primary users (i.e. resource providers and service recipients) does not take place through the full financial reports, but rather through more concise information channels (e.g. infographics, webpages, media releases). While the information provided through such channels needs to be consistent with the financial statements, it does not provide a large part of the detailed information presented in the financial statements.
- (ii) **Concerns with respect to the needs of official statistical bodies compiling Government finance statistics (GFS) :**

ii.1 According to IPSAS : "*Primary users of GPFs (General Purpose Financial Reports) are service recipients and their representatives and resource providers and their representatives who cannot demand the preparation of financial reports tailored to meet their specific information needs.*" According to this definition, official statistical bodies compiling GFS are not considered primary users as long as they can demand financial reports to meet their specific needs. In jurisdictions or specific cases where the possibility for official statistical bodies compiling GFS to demand the preparation of financial reports tailored to meet their specific information needs is not given, then the official statistical bodies compiling GFS should be considered "primary users". We would encourage the introduction of a specific BC providing this important clarification.

ii.2. Given that the preparation of financial reports is primarily guided by the information needs of the primary users, there is a risk that certain transactions may no longer be registered. This would be particularly detrimental for Government Finance Statistics, which, although in most cases not considered a primary user, are highly dependent on complete accounting data. There is a linkage to the completeness qualitative characteristic in faithful representation as explained in the CF.

We would encourage the introduction of a specific BC paragraph stating that "Materiality works together with faithful presentation as qualitative characteristics to contribute to the usefulness of information. To be useful in financial reporting information must be faithfully represented. Faithful representation is attained when the information is complete, neutral and free from material errors. In some cases, a balancing or trade-off between qualitative characteristics may be necessary to achieve the objectives of financial reporting. This would ensure that the needs of some non primary users (according to the definition above) such as statistical bodies can be met."

Winterthur, 14 July 2025