

FASAB Exposure Draft: Questions for Respondents due January 23, 2019

Materiality

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input type="checkbox"/>	
Federal Entity (auditor)	<input checked="" type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

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Please identify your organization, if applicable.

Organization:

Q1. The Board proposes materiality concepts providing a discussion of users, scope, and factors to consider in the federal government environment. Refer to paragraph 1.

a. Do you agree or disagree with the proposed materiality section? Please provide the rationale for your answer.

Agree. Factors noted in Appendix A affected this conclusion. Both quantitative and qualitative considerations are typically entity specific. Existing guidance on the application of materiality to consider both individually and in the aggregate as well as qualitative factors to consider already exists within AU-C 320 *Materiality in Planning and Performing an Audit* and the Governmental Accountability Office Financial Audit Manual §230 at the entity level. Therefore, no changes to audit approach are required.

We also agree with the proposed amendment to SFFAC 3 footnote 10 as a clarification point.

b. Do you have any suggestions that would enhance the section?

If a change in the concept of materiality would enhance a reasonable financial report users' reliability, make a case of what specific changes to the concept would look like. As presented, the effect may be increased ambiguity and additional audit effort merely to demonstrate compliance.

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Paragraph 191c comment. Don't believe we need the last sentence, suggest omitting or clarifying. *"For example, an amount that is not quantitatively material with respect to a very large line item may be material with respect to a smaller line item."*

- Q2.** The Board proposes placing the materiality concepts in Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*. Refer to paragraph A14.

Do you agree or disagree with the placement within concepts and specifically in SFFAC 1? Please provide the rationale for your answer.

Agree. Seems reasonable to include in SFFAC 1 and existing literature already requires an auditor to consider non-quantitative elements in the audit approach to materiality.