

FASAB Exposure Draft: Questions for Respondents due 23 January 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 checked="" type="checkbox"/>	
Federal Entity (preparer)	<input type="checkbox"/>	
Federal Entity (auditor)	<input 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"/>	

Please provide your name.

Name:

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.

Majority of the stakeholders agree with the proposed materiality section in response to FASAB Question 1. Stakeholders provide the following rationales/questions:

- i. Section 191(e) did not provide enough specifics to help an Entity with making a solid judgement on what are their materiality impacts for identified misstatements. Essentially, the guidance to preparers has not improved since materiality is not a new concept and will be an auditor’s consideration for misstatements/omissions. OGA questions "what should a preparer use to make the materiality “Call” in absence of the auditor’s review, when trying to determine on their own if the misstatement is material"?
- ii. The proposed amendments provide more clarity on assessing materiality from a qualitative perspective.
- iii. The draft standard states that materiality should be assessed, but never really says who should assess materiality besides the words, “the reporting entity.” OGA understands that the auditors assess materiality through Generally Accepted Government Auditing Standards.

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

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Stakeholders provide the following suggestions:

- i. **Quantitative factors are not clearly defined and should be more specific. OGA suggests considering a percent of the “balance sheet” or “accounts receivables” amount as an initial review of the materiality. Then list a series of factors to determine possible impact of the misstatement or omission. Where are the “factors” for consideration and how will the misstatement or omission impact the “factors”.**
- ii. **Suggest that FASAB explicitly mention that materiality should be defined by the reporting entity’s management. Because FASAB does not provide thresholds for materiality, management has the right to apply materiality standards in accordance with this guidance, as it deems appropriate provided that the financial statement user would not be improperly influenced by an amount deemed immaterial by management.**

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.

Majority of the stakeholders agree with the placement within concepts and specifically in SFFAC 1 in response to FASAB Question 2.

Stakeholders provide the following rationales/questions:

1. **SFFAC 1 provides the concept and goals for financial reporting of an entity and provides guidance for communication of an Entity’s financial soundness to the public via the financial statements. Integrity, Trust and Transparency should be a key concept and goal of the Entity to the public to ensure the public is not purposely misled through the lack of disclosures of material misstatements and omissions.**

SFFAC 3 Management Discussion and Analysis should include this as discussion point by management based on the defined concepts of materiality.

2. **Including the additional information in SFFAC 1 makes the most sense since it directly impacts the objectives of federal financial reporting.**