



Agenda Item 4

ASEC/ASB MATERIALITY INITIATIVE UPDATE

PROPOSED BACKGROUND, OBJECTIVES, MEMBERS AND TIMELINE

Background - The Assurance Services Executive Committee (ASEC) and Auditing Standards Board (ASB) have had ongoing discussions about a practitioner’s consideration of materiality in planning and performing an attestation engagement on nonfinancial subject matters. The Boards agreed to tackle this issue in two phases. During Phase 1, we will form a working group (see below for members) to develop a series of examples that illustrate how a practitioner considered materiality in three hypothetical examination engagements: sustainability, cybersecurity, and SOC 2. During Phase 2, we will broaden the working group with representatives from ASB, ARSC, TIC, and an IAASB observer. The broader group will consider whether there are commonalities among the illustrative examples developed in Phase 1 that can be used to develop materiality principles that practitioners can consider when performing attestation engagements on nonfinancial subject matters.

Objective – The objective of this group is to develop materiality principles that practitioners can consider when planning and performing attestation engagements on nonfinancial subject matters.

Initial Project Members

NAME	FIRM AFFILIATION	CONTACT
MEMBERS:		
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New Representatives for Phase 2: The working group will be ready to expand the group soon, and we are asking the ASB and ASEC to put forth members and observers to assist us. We believe that individuals with one or more of the following skills sets would be useful:

1. Expertise in attestation examination and review engagements
2. Subject matter expertise in sustainability or compliance
3. Status as materiality expert (within a firm or other organization, such as a university)

While a firm can have only one member on the working group, other individuals who may be helpful will be welcomed as observers.

Timeline/Milestones

- August 29, 2017 – Group in-person meeting was held at the AICPA NYC offices.
- October 5, 2017 – Update to ASEC (conference call)
- October 16-17, 2017 – Update to ASB (conference call)
- November/December– add broader working group representatives (see above for ask)
- January 18, 2017 – Presentation on status of principles to ASB/ASEC joint meeting