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I respectfully submit this question / observation regarding materiality, the concept of material misstatements and quantification of material weaknesses.

The PCAOB proposed standard says that the ICFR audit and financial statement audit should be planned and performed using the same measure of materiality. The SEC proposed guidance to management says that both quantitative and qualitative factors are to be considered but is not explicit. Our external auditors have an existing metric used for materiality – a percentage of net income. If management does not use the same metric there is a possibility that the auditor's threshold may be lower and hence they might identify potential material weaknesses that management would not have identified during its assessment. There does not appear to be any prescribed mechanism to reconcile this potential gap in either the SEC or PCAOB proposals. What is the view of the SEC and PCAOB on this potential gap and how management and the external auditor must resolve it?

Thank you.

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