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Government Auditing Standards 2017 Exposure Draft, GAO-17-313SP

Comments

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Discussion Items

1. Generally accepted government auditing standards (GAGAS) is presented in a revised format. This is intended to allow auditors to quickly identify requirements and application guidance related to those requirements. In addition, certain topics are regrouped within the chapters. Please comment on how the revised format of GAGAS affects the organization and readability of the standards.

The revised format of facilitates an easier understanding of the standards as the chapters are more clearly defined and distinct from each other. The revised format of distinguishing between "requirements" versus "application guidance" clarifies requirements from general information.

2. In chapter 3 (“Ethics, Independence, and Professional Judgment”), additional requirements and guidance are provided concerning the provision of nonaudit services to audited entities, including further explanation of the responsibility to ensure that management of the audited entity possesses the appropriate skills, knowledge, and experience to oversee the nonaudit service and expanding discussion of nonaudit services that should be considered threats or impairments to an external auditor’s independence. (various paras. 3.67 through 3.101) Please comment on whether the revisions related to nonaudit services sufficiently and clearly explain what is required and prohibited under GAGAS.

3. In chapter 4 (“Competence and Continuing Professional Education”), GAGAS discusses the levels of proficiency required for the roles on an engagement as well as a description of the tasks generally expected to be performed by auditors in these roles. (paras. 4.09 through 4.10) Do these roles and descriptions clarify the competence required of auditors conducting engagements in accordance with GAGAS? Is the level of proficiency expected for each of these roles clear?

4. Chapter 4 (“Competence and Continuing Professional Education”) includes a requirement for auditors to complete at least 4 hours of continuing professional education (CPE) in GAGAS topics (“GAGAS Qualification”). This 4-hour requirement is a subset of the 24-hour CPE requirement and needs to be completed each time a GAGAS revision is issued. Application guidance provides examples of the types of topics that would qualify as GAGAS topics. (paras. 4.15 and 4.23) Please comment on any additional topics that could be included in the 4-hour GAGAS CPE requirement or other requirements that would enhance auditor proficiency in GAGAS.

5. The content from the GAGAS guidance document on CPE (GAO-05-568G) is largely incorporated into chapter 4. We plan to retire the guidance document when the new GAGAS is issued. (paras. 4.26 through 4.50)

6. In chapter 5 (“Quality Control and Peer Review”), the sections on quality control and external peer review are expanded to harmonize with other standards and promote consistency in practice across the range of GAGAS auditors. Are the changes to the quality control and external peer review sections appropriate and reasonable?

7. In chapter 5 (“Quality Control and Peer Review”), peer review requirements are categorized by requirements for (1) audit organizations affiliated with recognized organizations and (2) other audit organizations. (paras. 5.63 through 5.113) Are the peer review requirements for each category of audit organization clear?

8. Chapter 7 (“Standards for Attestation Engagements and Reviews of Financial Statements”) is expanded to incorporate by reference Statement on Standards for Accounting and Review Services No. 21, section 90, Review of Financial Statements, and includes additional requirements and guidance for reviews of financial statements conducted in accordance with GAGAS. (paras. 7.68 through 7.80).

Please comment on the expanded requirements and application guidance.

While this comment does not relate specifically to the expanded requirements and application guidance, it does relate to attestation engagements in general. I suggest revisiting the use of audit, audited, audit entity, etc. when referring to attestation engagements. Our understanding is that attestation engagements are not audits, but rather reviews. However, throughout the guidance, terms such as audited or audit entity are used when referring to attestation engagements as well as financial statement and performance audits. This caused confusion.

9. In chapter 8 (“Fieldwork Standards for Performance Audits”), internal control considerations are expanded to reference the 2014 Standards for Internal Control in the Federal Government and Internal Control – Integrated Framework. (paras. 8.37 through 8.65). Do these sections clearly describe ways auditors assess internal control on performance audits?

The five elements of internal control are mentioned throughout Chapter eight; however, the five elements are not outlined. Specifying the five elements of internal control considering their prevalence to the chapter would be helpful.

Section 8.123 discusses “*constructive recommendations for corrections.*” However, a corresponding framework outlining the process to determine which deficiencies and corresponding recommendations should be carried forward to the report is absent, presenting risk that auditors may recommend and management may implement action for which costs exceed benefits. Office of Management and Budget Circular No. A-123, *Management’s Responsibility for Enterprise Risk Management*, introduces the concepts of risk, appetite, risk tolerance, and portfolio view in responding to risk. I believe that including these concepts within the Federal auditing literature as well would be prudent and lead to greater efficiency and deployment of Federal resources.