U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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Subject: *AICPA Auditing Standards Board (ASB) April 2013 Exposure Draft for a Proposed Statement on Auditing Standards (SAS), Entitled "Using the Work of Internal Auditors"*

This letter provides the U.S. Government Accountability Office's (GAO) comments on the ASB's proposed SAS. We support the ASB's efforts to redraft SAS No. 65 to apply clarity drafting conventions and to converge with the International Standards on Auditing (ISAs). We believe that the divergences from the ISA 610 (Revised 2013), *Using the Work of Internal Auditors,* proposed in the Exposure Draft are necessary and appropriate. Although we acknowledge the ASB's commitment to harmonize its standards to the analogous standards of the International Auditing and Assurance Standards Board (IAASB), we concur with the ASB that the use of the work of internal auditors represents a current and accepted practice in the United States that does not appear to have detracted from overall audit quality, and we agree with the ASB's use of terms or phrases that are more commonly used in the United States.

The ASB is seeking comments on changes resulting from applying the clarity drafting conventions and converging with the ISA, and their effect on the content of the proposed SAS. Our specific comments which were requested by the ASB, follow.

Requests for Specific Comments

1. Are the objectives to be achieved by the auditor, stated in the proposed SAS, appropriate?

We agree with the objectives to be achieved by the auditor in the proposed SAS, and we believe that they are appropriate for cases in which the external auditor expects to use the work of internal auditors to modify the nature or timing, or reduce the extent, of audit procedures performed by the external auditor. We also note that using the work of internal auditors represents current practice in the United States.

2. Are the revisions from the existing standards to converge with ISA 610 (Revised 2013) appropriate? and
3. Are the differences between the proposed SAS and ISA 610 (Revised 2013) identified in the exhibit, and other language changes, appropriate?

We broadly agree with the revisions made to the standards to converge with ISA 610 (Revised 2013), and believe that the differences between the ASB's proposed SAS and

ISA 610 (Revised 2013) are necessary and appropriate. Our views on several of the specific revisions are described below:

- We support the ASB's decision to delete certain paragraphs and redundant requirements of ISA 610 (Revised 2013). As noted above, the use of internal auditors does not appear to have detracted from overall audit quality and represents current and accepted engagement practice in the United States. Further, we support ASB's revisions to paragraph 31 of ISA 610 (Revised 2013) as the proposed SAS provides those charged with governance an opportunity to express any concerns they may have regarding the external auditor's use of internal auditors to provide direct assistance.

- We support the ASB's decision to include the requirement described in paragraph 30(b) in the proposed SAS, and agree with the ASB that internal auditors should bring identified accounting and auditing issues to the attention of the external auditors. The internal auditor's knowledge of any accounting and auditing issues that should be brought to the attention of the external auditors can potentially leverage the internal auditor's knowledge of the entity to modify the nature or timing, or reduce the extent, of audit procedures.

- Finally, we support the ASB's decision to revise several paragraphs of ISA 610 (Revised 2013) to express the requirements in terms that are more commonly used in the United States.

4. Have considerations for audits of smaller, less complex entities and governmental entities been dealt with appropriately?

We appreciate the attention the ASB has given to evaluating the objectivity of internal auditors in the proposed SAS. The independence and objectivity of auditors is paramount in the government environment to ensure the effective oversight of public funds and resources. For that reason, we suggest that the proposed standard also refer to the generally accepted government auditing standards (GAGAS) conceptual framework approach and the related discussion of threats and safeguards in GAGAS (2011) at sections 3.07 through 3.19. The GAGAS conceptual framework approach provides auditors a practicable approach to address threats to independence, and can be applied to varying circumstances that could potentially create threats to independence.

We thank you for considering our comments on these important issues as the board continues its effort to clarify the SASs and to converge with the ISAs.

Sincerely yours,

James R. Dalkin
Director
Financial Management and Assurance