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Washington, DC 20548

January 31, 2020

Ms. Sherry Hazel  
American Institute of Certified Public Accountants  
1345 Avenue of the Americas  
New York, NY 10019

**GAO's Response to the American Institute of Certified Public Accountants Auditing Standards Board's November 2019 Consultation Paper, *Proposed Strategy and Work Plan***

Dear Ms. Hazel:

This letter provides GAO's response to the Auditing Standards Board's (ASB) consultation paper, *Proposed Strategy and Work Plan*. GAO promulgates generally accepted government auditing standards (GAGAS), which provide professional standards for auditors of government entities in the United States.

As the supreme audit institution for the United States as well as an auditing standard-setting organization, GAO is committed to supporting the public interest and the interest of the public sector auditing community.

**Response to Request for Comments**

The ASB asked respondents to comment on the following:

**1. [Do] you agree with "Our mission and keys to our success" (see page 4), as well as the "Factors driving our strategy" (see page 5)?**

We generally agree with the ASB's articulated mission and keys to success.

With respect to the section "Factors driving our strategy," we identified several factors that align with GAO's work in the context of our role in the governmental auditing community.

- Increasing complexity and its implications: the ASB observes that increasing complexity of financial reporting standards raises concerns about the scalability of auditing and attestation standards to engagements for less complex entities. GAO shares this concern with respect to importance of scalability of standards for less complex entities, such as small governmental entities.
- Changing information needs of users: the ASB notes the evolution of external reporting in response to report users' interest in information beyond financial statements. In issuing the 2018 revision of *Government Auditing Standards*, which includes updated performance audit standards reflecting new considerations for internal control, GAO has broadened the framework for performance audits to address the demand for an increasingly diverse range of audit objectives.

- Changing expectations of stakeholders: the ASB asserts that stakeholders' expectations are increasing about what the auditor does and should do, for example, in relation to detecting and reporting fraud. During our recent process of issuing both the exposure draft and the final revision of *Government Auditing Standards*, we observed a similar expectation from the governmental audit community and the public for a robust and measured approach to addressing fraud, waste, and abuse in governmental audits. In response to this demand, GAO issued enhanced guidance for performance auditors in addressing potential instances of waste and abuse and included for the first time a definition of waste in the 2018 revision of GAGAS.

**2. [Do] you agree with “Our strategic initiatives” and “Our strategic actions” (see pages 6 to 8)?**

We support the ASB's identified strategic initiatives and strategic actions as presented in the *Proposed Strategy and Work Plan*. Of particular relevance to GAO is one of the strategic actions associated with Initiative A, “Develop high-quality standards in the public interest,” which relates to improving convergence with International Auditing and Assurance Standards Board (IAASB) projects and providing informed and timely input on IAASB projects in process.

**3. [Do] you agree with the activities that have been identified in our detailed Work Plan for 2020–21 (see pages 10 and 11)? If you don't agree with the work plan, what other activities do you believe the ASB should prioritize?**

We generally agree with the activities detailed in the Work Plan for 2020–21.

**4. [Are] there are any other topics that the ASB should consider in determining its strategy and work plan?**

We suggest that the ASB consider developing a framework to address how an issue is assessed in determining whether new guidance is warranted. A framework would provide transparency regarding how the ASB decides which issues to include on its standard-setting calendar.

Also, we believe it would be valuable for the ASB to conduct postimplementation reviews of key Statements on Auditing Standards, such as AU-C 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*, and AU-C 700A, *Forming an Opinion and Reporting on Financial Statements*. Postimplementation reviews would provide the ASB with a basis for assessing whether the standards met their objectives.

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Thank you for the opportunity to comment on these important issues. If you have questions about this letter or would like to discuss any of the matters it addresses, please contact me at (202) 512-3133 or [dalkinj@gao.gov](mailto:dalkinj@gao.gov).

Sincerely yours,

A handwritten signature in black ink, appearing to read "James R. Dalkin". The signature is stylized with a large initial "J" and a long horizontal stroke at the end.

James R. Dalkin  
Director  
Financial Management and Assurance