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March 10, 2023

US Government Accountability Office  
441 G Street NW  
Washington, DC 20548

RE: Comments on Exposure Draft – *Government Audit Standards 2023*

The Financial Management Standards Board (FMSB) of the AGA appreciates the opportunity to provide comments on the Government Accountability Office's proposed standards. We generally agree with the exposure draft and applaud the GAO's work to provide timely convergence with other professional standard setters in this important area.

*Our responses to the discussion questions are as follows:*

1. *Is it appropriate to permit flexibility to audit organizations to follow IAASB or AICPA quality management standards?*

Yes. Permitting audit organizations to follow IAASB or AICPA quality management standards is appropriate since the exposure draft converges with these standards and we could not identify any decrease in quality requirements compared to those under current Government Auditing Standards. The clear guidance of paragraph 5.07 provides a practical expedient for CPA firms and allows for this section of *Government Auditing Standards* to be written with government audit organizations in mind, whereas IAASB and AICPA standards are written for the CPA firm environment.

2. *Is the quality management risk assessment process in the proposed standard sufficiently clear and understandable?*

Yes. We appreciated convergence with AICPA standards and found the exposure draft to be clear and understandable.

3. *Is the quality management monitoring and remediation requirements in the proposed standard sufficiently clear and understandable?*

For the most part, yes. However, we noted one difference from AICPA standards that we did not understand. Paragraph 5.93 states that reviews of engagement team members' work prior to the date of the report are not monitoring procedures. This seems to be the opposite of AICPA standards in SQMS 1 paragraph A150, which describes how the purpose, design and implementation of an activity determines where it fits within the system of quality management. Some of our members currently perform certain reviews of engagements that occur in-part or wholly before the date of the report, but are designed as monitoring activities. In practice, these members find that such activities are effective to provide timely information and achieve other monitoring objectives. For this reason, we are unclear why the exposure draft would appear to prohibit these activities from being considered part of the monitoring component. We therefore suggest that application guidance be converged with SQMS 1.

4. *Does the proposed revision promote sufficient scalability?*

Yes. We affirm the need for enhanced requirements in this area for audit organizations of all sizes, and appreciated the specific and helpful application guidance related to scalability.

5. *Are the requirements and application guidance relating to engagement quality reviews sufficiently clear and understandable?*

For the most part, yes. However, we noted two differences from AICPA standards as follows:

1) The definition for an engagement quality review in paragraph 5.68 is not the same as the definition in SQMS 1. Specifically, the exposure draft defines engagement quality reviews as being completed on or before the date of the audit report, whereas SQMS 1 defines these as being completed on or before the date the report is released. We did not understand this difference and would suggest that the definition be converged with SQMS 1.

2) The exposure draft only requires review of independence and ethical requirements for audits of financial statements in paragraph 5.143.e(2), whereas SQMS 2 applies this requirement to all attest engagements. We did not understand this difference and would suggest convergence with SQMS 2.

6. *Is application guidance for key audit matters sufficiently clear and understandable?*

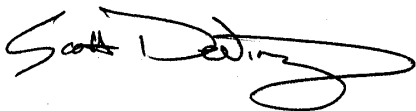
Yes. We agree that communication of key audit matters should not be required by Government Auditing Standards.

7. *Should audit organizations be permitted to adopt the standard early?*

Yes. This flexibility is particularly important since the exposure draft clarifies the relationship between Government Auditing Standards and those of the AICPA and IAASB. The option of early adoption will help avoid any potential questions or problems that could arise if standards were adopted at different times.

Moreover, permission for early adoption provides organizations with the most operational flexibility to allow strategic planning, change management and project management to determine implementation timelines, rather than having these tied to an arbitrary date.

Sincerely,

A handwritten signature in black ink, appearing to read 'Scott DeViney', with a large, sweeping flourish at the end.

Scott DeViney, CPA  
Chair, Financial Management Standards Board



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AGA  
Financial Management Standards Board (FMSB)

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