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United States Government Accountability Office  
Washington, DC 20548

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May 13, 2011

Mr. Mike Glynn  
Audit and Attest Standards  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, New York 10036-8775

Subject: AICPA Auditing Standards Board (ASB) March 2011 Exposure Draft for a proposed Statement on Auditing Standards (SAS), entitled “*Omnibus Statement on Auditing Standards—2011.*”

This letter provides the U.S. Government Accountability Office’s (GAO) comments on the ASB’s proposed 2011 Omnibus SAS which would amend the following seven SASs:

- SAS No. 117, *Compliance Audits* [AICPA, Professional Standards, AU sec. 801];
- SAS No. 118, *Other Information in Documents Containing Audited Financial Statements* [AICPA, Professional Standards, AU sec. 550];
- Clarified SAS *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards*;
- Clarified SAS *Modifications to the Opinion in the Independent Auditor’s Report*;
- Clarified SAS *Reports on Application of Requirements of an Applicable Financial Reporting Framework*;
- Clarified SAS *The Auditor’s Communication With Those Charged With Governance* [Redrafted]; and
- Clarified SAS *Audit Documentation* [Redrafted].

While we generally agree with the amendments proposed by the Board, we offer specific comments on proposed amendments to SAS No. 117, *Compliance Audits* and Clarified SAS *Modifications to the Opinion in the Independent Auditor’s Report*. Our specific comments on the amendments to the proposed SASs are detailed below.

### **Issues for Consideration**

SAS No. 117 contains an appendix that lists AU sections that are not applicable to compliance audits. The ASB is seeking comments on omissions from the list, including any need for references to application material not applicable to compliance audits. We have no additional references to add to the list.

## Other Comments

### *Amendment to Clarified SAS Modifications to the Opinion in the Independent Auditor's Report*

We agree with the amendment to the SAS to address the auditor's responsibility to issue an appropriate report when the auditor is not independent but is required by law or regulation to perform the engagement. However, in government auditing there could be a unique circumstance in which a government auditor is required by law or regulation to perform an audit even though the auditor's independence with respect to the engagement is impaired. In such circumstances, we believe the authority of law or regulation would prevail over the auditing standards requirements, and such impairment to the auditor's independence would affect the auditor's compliance with generally accepted auditing standards. Therefore, the auditor should apply safeguards to the extent possible to mitigate the impairment.

We suggest deleting application paragraph A19 because the revised Government Auditing Standards (GAGAS) requires the government auditor to follow the conceptual framework and to apply safeguards when the auditor's independence with respect to the engagement is potentially impaired.

We support the Board in its efforts to improve the clarity and consistency of the SASs. We thank you for considering our comments on these important issues.

Sincerely yours,

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

James R. Dalkin  
Director  
Financial Management and Assurance