



441 G St. N.W.
Washington, DC 20548

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Mr. Willie Botha
Technical Director
International Auditing and Assurance Standards Board
529 Fifth Avenue
New York, NY 10017

GAO's Response to the International Auditing and Assurance Standards Board's Consultation Paper, *Proposed Non-Authoritative Guidance - Extended External Reporting (EER) Assurance*

Dear Mr. Botha:

This letter provides GAO's responses to questions on the International Auditing and Assurance Standards Board (IAASB) consultation paper entitled *Proposed Non-Authoritative Guidance Extended External Reporting (EER) Assurance*. 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.

We reviewed the guidance and found that the document length and detail is useful for a practitioner performing an EER assurance engagement. We identified several areas of concern regarding the guidance. We believe

- The title used for the guidance is vague and does not adequately explain what the guidance is meant to provide.
- Chapters which describe topics that are more general, such as chapter 2 on professional skepticism, may make the guidance harder to keep current as standards are updated in the future.
- The discussion of the assessment of risk does not sufficiently consider the risk of material misstatement.
- The addition of a discussion of how to address contrary information would be useful to practitioners performing an EER assurance engagement.
- Finally, the guidance, in multiple places, cites the standards generally, but does not identify the specific standard, which can cause problems with ensuring standards are met and ensuring accurate updates to the guidance when the standards change.

We specifically discuss our concerns in our responses to the questions below.

Response to Request for Comments

1. Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

We believe that the draft guidance addresses the challenges for practitioners that have been identified as within the scope of the draft guidance. However, the guidance related to internal control assumes a less mature internal control framework, and it does not contain sufficient EER information. The internal control guidance should discuss the components and considerations specific to EER, which include steps related to how a practitioner evaluates the controls specific to the EER assurance engagement.

In addition, the guidance focuses on management preparing the EER report rather than the perspective of the practitioner. For example, chapter 5 discusses criteria at length, but the focus is on the preparer of the EER report. The guide should focus on the practitioner's perspective on evaluating the criteria the entity used to prepare the EER report.

2. Is the draft guidance structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements? If not, where and how should it be improved to better serve the public interests in EER assurance engagements?


The draft guidance is generally structured in a way to allow practitioners to understand and use it to perform EER assurance engagements, but we believe that additional language in certain areas could improve practitioner's understanding of performing EER assurance engagements. For example, the discussion of the assessment of risk does not sufficiently consider the risk of material misstatement. Also, we found that there is no consideration of contrary information in the guidance. The guidance inconsistently links requirements to the standards throughout the document, which can create confusion to users and may make it difficult to update in the future when standards change. For example, in paragraph 67 the guidance states one of the preconditions, but does not reference the related standard. The standard is not introduced until paragraph 69 and the related diagram 5.

Also, the guidance's use of boxes to focus attention on definitions and examples are not consistently applied throughout the document. For example, paragraph 41 indicates that it is an example but is not in a separate box. There should be more citing of the related standards when the guidance refers to "the Standard" to ensure clarity.

Finally, the guidance lacks sufficient examples for practitioners for planning, executing, and reporting on EER. We believe that additional examples in a separate appendix could help provide practitioners useful information when performing an assurance engagement for an EER report. Users of this guidance would benefit from additional examples, similar to the amount and depth of examples in chapter 6.

Thank you for the opportunity to comment. If you have questions about this letter or wish to discuss any of our responses, please feel free to contact me at (202) 512-3133 or dalkinj@gao.gov.

Sincerely yours,

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

James R. Dalkin
Director
Financial Management and Assurance