



# Association of Local Government Auditors

October 11, 2018

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Sherry Hazel  
AICPA Auditing Standards Board

Re: AICPA Proposed Statement on Standards for Attestation Engagements *Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification*

Dear Ms. Hazel,

The Association of Local Government Auditors (ALGA) appreciates the opportunity to provide comments regarding the AICPA's proposed statement on standards for attestation engagements *Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification* exposure draft. ALGA represents 272 audit organizations comprising more than 2,200 individuals. This topic is of interest to our members, and we encourage individual audit organizations and members to comment independently should they choose to do so.

We have reviewed the exposure draft in its entirety. We provided input to some of areas specifically requested for comment and provided general comments. Overall, we neither agree nor disagree with the majority of the areas for comment, as such provide no comment.

1. ***Request for Comment 1 – Proposed Changes That Affect All Attestation Engagements.***

- a. We have no comment on the proposed change related to written assertions requirement at this time. We also have no comment as to the understandability and helpfulness of the guidance regarding the removal of requiring the practitioner to request a written assertion from the responsible party when the practitioner is reporting only on the subject matter.
- b. We agree that adding a statement regarding independence and fulfillment of ethical responsibilities to the practitioner's report is an important addition. While an affirmative statement regarding independence and ethical responsibilities is an important addition to the report, the statement "We are independent of XYZ Company, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our examination" does not tell the user of the report how independence nor how ethical responsibilities is defined or determined.

We recognize that it may be difficult to succinctly define independence and ethical responsibilities in the report.

Therefore, if providing a definition in the report is not feasible, consider requiring a reference (e.g., the AICPA Code of Professional Conduct) to where a user can learn more about the independence and ethical responsibilities requirements if they choose to do so.

Likewise, we suggest that the “relevant ethical requirements” be listed in the report, perhaps as a parenthetical (i.e., the AICPA Code of Professional Conduct, rules of [my state] Board of Accountancy, and [name of applicable regulatory agencies]). Otherwise, the user may be left wondering what the relevant requirements are.

2. **Request for Comment 2 – Proposed Changes That Affect Examination and Review Engagements** We have no comment on the proposed changes that affect examination and review engagements requirements. We also have no comment as to the understandability and helpfulness of the guidance regarding the changes that affect examination and review engagements.
3. **Request for Comment 3 – Proposed Changes That Affect Only Examination Engagements** We agree that by allowing the use of professional judgement in determining whether sufficient appropriate evidence is obtained when the practitioner’s inability to obtain one or more requested written representation allows for flexibility for differing situations that can occur. Nevertheless, we would like to acknowledge that by allowing flexibility there is a risk of inconsistency in application.
4. **Request for Comment 4 – Proposed Changes That Affect Only Review Engagement** We have one comment provided below. Overall, we have no other comment on the proposed changes that affect only review engagements.
  - a. While we understand the intent for proposing that the term ‘review engagement’ be changed to ‘limited assurance engagement,’ to help differentiate review engagements performed under AR-C section 90 and AU-C section 930. We feel that the change will also likely create confusion for users and/or engaging parties that use or are familiar with various other standards when those standards use the term ‘review engagement.’ For example, the term ‘review engagement’ is being using in other standards such as the U.S. Government Accountability Office’s *Government Auditing Standards* 2018 revision as currently defined by the AICPA.
5. **Request for Comment 5 – Proposed Changes That Affect Only Agreed-Upon Procedures Engagements** We have no comment on the proposed changes that affect only agreed-upon procedures engagements. We also have no comment as to the understandability and helpfulness of the guidance regarding the changes that affect only agreed-upon procedures engagements.
6. **Request for Comment 6 – Prohibition on the Performance of a Limited Assurance Engagement on Certain Subject Matter** We have no comment on the proposed changes on the prohibition on the performance of a limited assurance engagement on certain subject matters requirements. We also have no comment as to the understandability and helpfulness of the guidance on the prohibition on the performance of a limited assurance engagement on certain subject matters.
7. **Request for Comment 7 – Effective Date.** The effective date seems appropriate. We agree that early implementation should be prohibited to help ensure consistency amongst the work performed by practitioners and the reports issued.

## 8. General Comments

- a. To improve readability on page 27 paragraph .10b. consider modifying the definition of limited assurance engagement to read as follows:

*Limited assurance is obtained when the practitioner has obtained sufficient appropriate evidence to reduce attestation risk to a level that is appropriate as the basis for the practitioner's conclusion about whether any material modification should be made to the subject matter in order for it be in accordance with (or based on) the criteria or to the assertion in order for it to be fairly stated. The appropriate level of attestation risk needed to obtain limited assurance is greater than it would need to be for an examination engagement.*

- b. In case the exposure draft is used to complete the final standards, on page 52 paragraph .33e the entire text of the paragraph is not visible to the reader. The **bolded** portion of the sentence "Appropriate consultation being undertaken by the engagement team **on difficult or contentious matters**" is missing.
- c. To improve clarity and support for the engaging party, consider addressing retention requirements that can be incorporated into contracts with the engaging party within the requirement and/or guidance section(s) at paragraph .40 on page 54. Although contracts with the engaging party could be inferred in paragraph .40, adding an explanation to specifically address retention requirements that are included in a contract with the engaging party would be beneficial. For example, the guidance could address that practitioners' procedures may address any record retention requirements agreed to in contracts with the engaging party.
- d. To provide clarity consider modifying the requirement and/or adding guidance to paragraph .35 on page 199 *Restrictions on the Performance of Procedures*. The requirement at paragraph .35 only explains the action to be taken when the restrictions are appropriate and infers agreement with the engaging party. Guidance and/or modification to the requirement will help the practitioner when the restrictions are not appropriate and/or when the engaging party and practitioner do not agree about the appropriateness of the restrictions.

Respectfully submitted,

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Chair, Professional Issues Committee

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