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May 27, 2025

Ms. Jennifer Burns
Chief Auditor
Professional Standards and Services

GAO's Response to the American Institute of Certified Public Accountants Auditing Standards Board's Exposure Draft, *Scope Limitations in a Review Engagement*, February 27, 2025

Dear Ms. Burns:

This letter provides GAO's comments on the American Institute of Certified Public Accountants (AICPA) Auditing Standards Board's (ASB) proposed Statement on Standards for Attestation Engagements, *Scope Limitations in a Review Engagement*. GAO promulgates generally accepted government auditing standards, which provide professional standards for auditors of government entities in the United States.

We support the ASB's efforts to update attestation standards in AT-C section 210, *Review Engagements*, to permit practitioners to take alternative actions when a scope limitation exists. The ASB has stated that some practitioners who perform AICPA attestation engagements and engagements under International Standard on Assurance Engagements (ISAE) 3000 Revised, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, or the International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*, anticipate circumstances where they will be unable to obtain sufficient evidence on which to base their conclusions, which would result in scope limitations.

Currently, both ISSA 5000 and ISAE 3000 permit the practitioner to issue a qualified conclusion or a disclaimer of conclusion. The proposed standard will allow AT-C section 210 to be aligned with ISAE 3000.

In our response, we offer a suggestion to promote consistency between standards. We suggest adding application material to proposed AT-C section 210, *Review Engagements*, paragraph A41 that is consistent with AT-C section 205, *Assertion-Based Examination Engagements*, paragraph A115. Both paragraphs A41 and A115 define "pervasive" but use different definitions.

Finally, we provide other suggestions for your consideration. Our responses to the ASB's questions are included in the enclosure to this letter.

Thank you for the opportunity to comment. If you have questions about this letter or would like to discuss any of our responses, please contact me at dalkinj@gao.gov.

Sincerely,
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//SIGNED//

James R. Dalkin
Director
Financial Management and Assurance

Enclosure

Enclosure

Responses to Questions on the American Institute of Certified Public Accountants Auditing Standards Board's (ASB) Exposure Draft, Scope Limitations in A Review Engagement

1. Do respondents agree that narrow scope revisions to AT-C section 210 are needed to address the potential practice issue? If not, why not?

We agree that the proposed scope revisions better align AT-C section 210, *Review Engagements*, with International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*, and International Standard on Assurance Engagements (ISAE) 3000 Revised, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

Both ISSA 5000 and ISAE 3000 permit the practitioner to issue a qualified conclusion or a disclaimer of conclusion if a scope limitation exists. The proposed scope revision would also permit practitioners who use AT-C section 210 to issue a qualified conclusion or a disclaimer of conclusion if a scope limitation exists.

2. Do respondents believe that the proposed effective date of the SSAE is appropriate? If not, why not?

We agree with the proposed effective date given the scope of the proposed revisions.

3. Do respondents agree that the proposed revisions to paragraph .30 and the related application material to permit alternative actions when a scope limitation exists are appropriate? If not, why not?

We agree with the proposed revisions to AT-C section 210 paragraph .30, which states that

If the practitioner is unable to obtain sufficient appropriate review evidence, a scope limitation exists, and (Ref: par. .A40–.A41)

- a. paragraph .53b applies if the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be material but not pervasive, or
- b. paragraph .53c applies if the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be both material and pervasive.

We suggest adding application material to proposed AT-C section 210, *Review Engagements*, paragraph A41, that is consistent with the application material in AT-C section 205, *Assertion-Based Examination Engagements*, paragraph A115. Both paragraphs A41 and A115 define “pervasive” but use different definitions.

We suggest that proposed paragraph A103 be moved to Application and Other Explanatory Material - Evaluating the Results of Review Procedures and referenced in paragraph .30. Application material paragraph A103 discusses why the inability to perform a specific procedure does not constitute a scope limitation if the practitioner is able to obtain sufficient appropriate review evidence by performing alternative procedures. This reference will provide practitioners with additional guidance on scope limitations.

We also suggest adding application material that describes when a scope limitation may arise, such as listed in AT-C section 205, paragraph A117. Doing so will provide the practitioner with examples of different scope limitations.

4. Do respondents agree that the proposed revisions to paragraph .53 and the associated application material to allow a practitioner to issue a qualified conclusion for a scope limitation that is material but not pervasive are appropriate? If not, why not?

We agree with the proposed revisions to AT-C section 210, paragraph .53 a and b, which states that

The practitioner should express a modified conclusion when, in the practitioner's professional judgment

- a. the practitioner, having obtained sufficient appropriate review evidence, concludes that the subject matter is materially misstated. In such cases, the practitioner should express a qualified conclusion or an adverse conclusion. (Ref: par. A97)
- b. the practitioner is unable to obtain sufficient appropriate review evidence on which to base the conclusion, and the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be material but not pervasive. In such cases, the practitioner should express a qualified conclusion. (Ref: par. .A41 and .A97–.A99)

We suggest including a table in AT-C section 210 like that in AT-C section 205, paragraph A116. This would illustrate how the practitioner's professional judgment about the nature of the matter giving rise to the modification and the pervasiveness of its effects or possible effects on the subject matter affects the type of practitioner's report to be issued.

5. Do respondents agree with the ASB's proposal to permit the practitioner to issue a disclaimer of conclusion when:

- (a) the practitioner is unable to obtain sufficient appropriate review evidence on which to base the practitioner's conclusion?

We agree with the proposed revisions to AT-C section 210 paragraph .53 c which states that

The practitioner should express a modified conclusion when, in the practitioner's professional judgment

the practitioner is unable to obtain sufficient appropriate review evidence on which to base the conclusion, the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be both material and pervasive. In accordance with paragraph .61, if the practitioner determines that it is not possible to withdraw, the practitioner should disclaim a conclusion. (Ref: par. .A41 and .A99–.A100)

- (b) the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be both material and pervasive?

We agree with proposed AT-C section 210 paragraph .53 c which permits the practitioner to issue a disclaimer of conclusion when the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be both material and pervasive.

- (c) withdrawal is not possible under applicable law or regulation?

We also agree with the proposed revisions to AT-C section 210 paragraph .61 which states that

If the practitioner is unable to obtain sufficient appropriate review evidence on which to base the practitioner's conclusion, a scope limitation exists. When the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be both material and pervasive, the practitioner should withdraw from the engagement, when possible, under applicable law or regulation. If the practitioner determines that it is not possible to withdraw, the practitioner should disclaim a conclusion. (Ref: par. .A53.A52–.A54 and .A99–.A101A99–.A103)

6. Do respondents agree with the proposed amendments and additions to incorporate the scope limitation concepts throughout AT-C section 210? If not, why not?

We agree with the proposed amendments and additions to incorporate scope limitation concepts throughout AT-C section 210. To be consistent with the renumbering in proposed AT-C section 210, we suggest that paragraphs A94 and A95, be updated to A95 and A96 respectively, and paragraph A97, be updated to A41.

7. Are there any additional requirements or application guidance needed to allow practitioners to appropriately consider the impact of scope limitations in a review engagement? If so, please provide details of the specific requirements or application guidance that should be included in AT-C section 210.

We have included our suggestions in the preceding responses.