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LEARNING SOLUTIONS

What You Need to Know About the Changes to Yellow Book

May 17, 2019

1

Agenda

- Format
- Independence
- Peer Review
- Review Engagements
- CPE
- Performance Audits
- Miscellaneous
- Effective Date

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2

2

Overview

- Government Auditing Standards 2018 Revision
  - GAO-18-568G
  - Issued July 2018
- Supersedes:
  - the 2011 GAS revision
  - the 2005 Government Auditing Standards: Guidance on GAGAS Requirements for Continuing Professional Education
  - the 2014 Government Auditing Standards: Guidance for Understanding the New Peer Review Ratings

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3

3

Format

4

Format

- All chapters are presented in a revised format that differentiates requirements and application guidance related to those requirements

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5

5

Chapter 3

General Standards

Introduction

3.01 This chapter establishes general standards and provides guidance for performing financial audits, attestation engagements, and performance audits under generally accepted government auditing standards (GAGAS). These general standards, along with the overarching ethical principles presented in chapter 1, establish a foundation for the credibility of auditors' work. These general standards emphasize the importance of the independence of the audit organization and its individual auditors; the exercise of professional judgment in the performance of work and the preparation of related reports; the competence of staff; and quality control and assurance.

Independence

3.02 In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be independent.

3.03 Independence comprises:

a. Independence of Mind
The state of mind that permits the performance of an audit without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.

b. Independence in Appearance
The absence of circumstances that would cause a reasonable and informed third party, having knowledge of the relevant information, to reasonably conclude that the integrity, objectivity, or professional skepticism of an audit organization or member of the audit team had been compromised.

3.04 Auditors and audit organizations maintain independence so that their opinions, findings,

Chapter 2: General Requirements for Complying with Government Auditing Standards

2.01 This chapter establishes general requirements for complying with generally accepted government auditing standards (GAGAS) that are applicable to all GAGAS engagements. The information it contains relates to how auditors conducting GAGAS engagements identify and apply the requirements contained in GAGAS. The chapter also contains requirements for using other audit standards in conjunction with GAGAS and for reporting compliance with GAGAS in the audit report.

Complying with GAGAS

Requirements: Complying with GAGAS

2.02 GAGAS uses two categories of requirements, identified by specific terms, to describe the degree of responsibility they impose on auditors and audit organizations:

a. Unconditional requirements: Auditors and audit organizations must comply with an unconditional requirement in all cases where such requirement is relevant. GAGAS uses *must* to indicate an unconditional requirement.

b. Presumptively mandatory requirements: Auditors and audit organizations must comply with a presumptively mandatory requirement in all cases where such a requirement is relevant except in rare circumstances discussed in paragraphs 2.03, 2.04, and 2.08. GAGAS uses *should* to indicate a presumptively mandatory requirement.[10]

2.03 In rare circumstances, auditors and audit organizations may determine it necessary to depart from a relevant presumptively mandatory requirement. In such rare circumstances, auditors should perform alternative procedures to achieve the intent of that requirement.

2.04 If, in rare circumstances, auditors judge it necessary to depart from a relevant presumptively mandatory requirement, they must document their justification for the departure and how the alternative

[10]See para. 2.19 for additional documentation requirements for departures from GAGAS requirements.

6

Chapters

- Number of chapters increased from 7 to 9

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7

7

Appendices

- Supplemental guidance from the appendix of the 2011 revision is either removed or incorporated into the individual chapters

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8

8

Terminology

2011	2018
Climate	Environment
Conduct(ing)	Perform(ing)
Staff	Personnel
Audit	Engagement
Providing Audits	Conducting Engagements
Organization	Entity

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9

Definitions

Auditor

- An individual assigned to planning, directing, performing engagement procedures, or reporting on GAGAS engagements (including work on audits, attestation engagements, and reviews of financial statements) regardless of job title.
- Therefore, individuals who may have the title auditor, information technology auditor, analyst, practitioner, evaluator, inspector, or other similar titles are considered auditors under GAGAS.

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10

10

Definitions Cont'd

Audit Organization

- A government audit entity or a public accounting firm or other audit entity that conducts GAGAS engagements

Audit (updated)

- Either a financial audit or performance audit conducted in accordance with GAGAS

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11

11

Definitions Cont'd

Attestation Engagement (new)

- An examination, review, or agreed-upon procedures engagement conducted under the GAGAS attestation standards related to subject matter or an assertion that is the responsibility of another party.

Review of Financial Statements (new)

- An engagement conducted under GAGAS for review of financial statements.

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12

12

New Definitions

Audit Report

- A report issued as a result of a financial audit, attestation engagement, review of financial statements, or performance audit conducted in accordance with GAGAS

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13

13

New Definitions Cont'd

Audited Entity

- The entity that is subject to a GAGAS engagement, whether that engagement is a financial audit, attestation engagement, review of financial statements, or performance audit.

Engaging Party

- The party that engages the auditor to conduct the GAGAS engagement.

Responsible Party

- The party responsible for a GAGAS engagement's subject matter.

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14

14

New Definitions Cont'd

Control Objective

- The aim or purpose of specified controls; control objectives address the risks related to achieving an entity's objectives.

Entity Objective

- What an entity wants to achieve; entity objectives are intended to meet the entity's mission, strategic plan, and goals and the requirements of applicable laws and regulations.

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15

15

New Definitions Cont'd

Engagement

- A financial audit, attestation engagement, review of financial statements, or performance audit conducted in accordance with GAGAS.

Engagement Team (or audit team)

- Auditors assigned to planning, directing, performing engagement procedures, or reporting on GAGAS engagements.

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16

16

New Definitions Cont'd

External Audit Organization

- An audit organization that issues reports to third parties external to the audited entity, either exclusively or in addition to issuing reports to senior management and those charged with governance of the audited entity

Internal Audit Organization

- An audit organization that is accountable to senior management and those charged with governance of the audited entity and that does not generally issue reports to third parties external to the audited entity

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17

17

New Definitions Cont'd

Specialist

- An individual or organization possessing special skill or knowledge in a particular field other than accounting or auditing that assists auditors in conducting engagements. A specialist may be either an internal specialist or an external specialist.

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18

18

Application

- Identifies certain laws that require GAGAS
  - Inspector General Act of 1978
  - Chief Financial Officers Act of 1990
  - Single Audit Act

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19

19

Independence

20

Paragraph 3.88

- Auditors should conclude that preparing financial statements **in their entirety** from a client-provided trial balance or underlying accounting records **creates significant threats** to auditors' independence, and should document the threats and safeguards applied to eliminate and reduce threats to an acceptable level in accordance with paragraph 3.33 or decline to provide the services.

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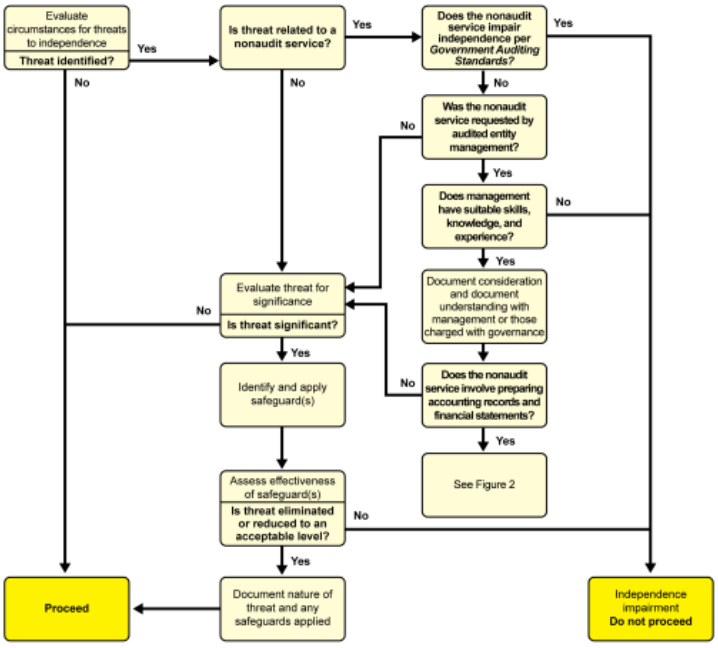
21

21

Figure 1: Generally Accepted Government Auditing Standards Conceptual Framework for Independence



22

Paragraph 3.89: Threat Identification

- Auditors should identify as threats to independence any services related to preparing accounting records and financial statements, other than those defined as impairments to independence in paragraph 3.87 and significant threats in paragraph 3.88.

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23

23

Paragraph 3.94: Definition of Significance

- Factors that are relevant in evaluating the significance of any threats created by providing services include:
  - the extent to which the outcome of the service could have a material effect on the financial statements,
  - the degree of subjectivity involved in determining the appropriate amounts or treatment for those matters reflected in the financial statements, and
  - the extent of the audited entity's involvement in determining significant matters of judgment.

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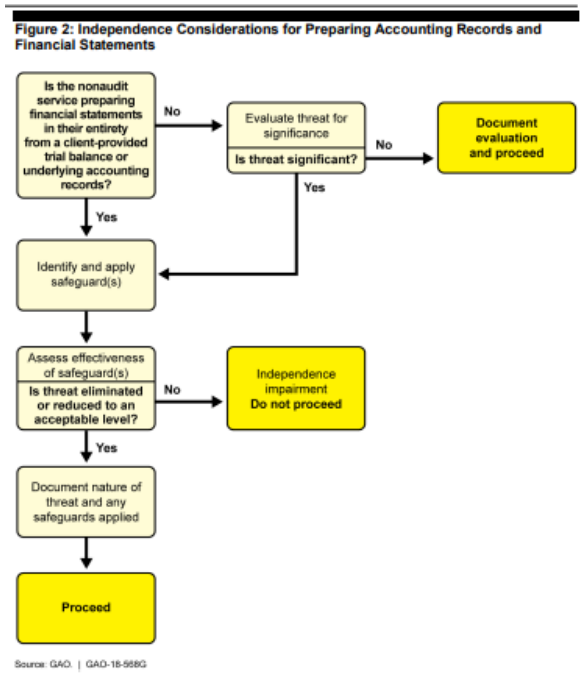
24

24



25

Paragraph 3.69: New Safeguards for Nonaudit Services

- The following are examples of actions that in certain circumstances could be safeguards in addressing threats to independence related to nonaudit services:
  - not including individuals who provided the nonaudit service as engagement team members;
  - having another auditor, not associated with the engagement, review the engagement and nonaudit work as appropriate;
  - engaging another audit organization to evaluate the results of the nonaudit service; or
  - having another audit organization re-perform the nonaudit service to the extent necessary to enable that other audit organization to take responsibility for the service.

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26

26

Paragraph 3.79: Clarification

- However, indicators of management's ability to effectively oversee the nonaudit service include management's ability to determine the reasonableness of the results of the nonaudit services provided and to recognize a material error, omission, or misstatement in the results of the nonaudit services provided.

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27

27

Removed As Explicitly Acceptable

- Proposing standard, adjusting, or correcting journal entries or other changes affecting the financial statements to an audited entity's management provided management reviews and accepts the entries and the auditor is satisfied that management understands the nature of the proposed entries and the impact the entries have on the financial statements

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28

28

Paragraph 3.95: Clarification

- Providing clerical assistance, such as typing, formatting, printing, and binding financial statements, is unlikely to be a significant threat.

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29

29

Paragraph 3.107e: New Documentation Requirement

- Document the evaluation of the significance of the threats created by providing any of the services discussed in paragraph 3.89.

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30

30

Quality Control & Peer Review

31

Paragraph 5.09: Annual Affirmation

- At least annually, the audit organization should obtain written affirmation of compliance with its policies and procedures on independence from all of its personnel required to be independent.

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32

32

Paragraph 5.11

- May be in paper or electronic form.
- May obtain affirmation more frequently than once per year.
  - For example, affirmation may be obtained on a per-engagement basis when such engagements last less than 1 year.

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33

33

Paragraph 5.12: Acceptance Clarification

- The audit organization should establish policies and procedures for the initiation, acceptance, and continuance of engagements that are designed to provide reasonable assurance that the organization will undertake engagements only if it:
  a) complies with professional standards, applicable legal and regulatory requirements, and ethical principles;
  b) acts within its legal mandate or authority; and
  c) has the capabilities, including time and resources, to do so.

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34

34

Paragraph 5.14: Workload

- Audit organizations may operate with limited resources
- Audit organizations may consider their workloads in determining whether they have the resources to deliver the range of work to the desired level of quality
- To achieve this, audit organizations may develop systems to prioritize their work in a way that takes into account the need to maintain quality

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Paragraph 5.16: CPE

- The audit organization should establish policies and procedures to provide reasonable assurance that auditors who are performing work in accordance with GAGAS meet the continuing professional education (CPE) requirements, including maintaining documentation of the CPE completed and any exemptions granted.

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Paragraph 5.17: Clarified HR

- Effective recruitment processes and procedures help the audit organization select individuals of integrity who have the capacity to develop the competence and capabilities necessary to perform the audit organization's work and possess the appropriate characteristics to enable them to perform competently.
  - Examples of such characteristics include meeting minimum academic requirements established by the audit organization and leadership traits.

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37

37

Paragraph 5.19: Procedures

- Effective performance evaluation, compensation, and advancement procedures give due recognition and reward to developing and maintaining competent personnel.

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38

38

Paragraph 5.21: Policies & Procedures

- Objectives of the audit organization's human resources policies and procedures may include:
  - promoting learning and training for all personnel to encourage their professional development and to help ensure that personnel are trained in current developments in the profession; and
  - helping ensure that personnel and any parties contracted to carry out work for the audit organization have an appropriate understanding of the environment(s) in which the organization operates and a good understanding of the work they are required to carry out.

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39

39

Consultation Guidance

- Several paragraphs added regarding best practices in consultations including documentation

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40

Paragraph 5.36: Supervision

- The audit organization should establish policies and procedures that require engagement team members with appropriate levels of skill and proficiency in auditing to supervise engagements and review work performed by other engagement team members.

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41

41

Paragraph 5.37: Engagement Partner

- The audit organization should assign responsibility for each engagement to an engagement partner or director with authority designated by the audit organization to assume that responsibility and should establish policies and procedures requiring the organization to:
  a) communicate the identity and role of the engagement partner or director to management and those charged with governance of the audited entity; and
  b) clearly define the responsibilities of the engagement partner or director and communicate them to that individual

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42

42

Paragraph 5.39: Expanded Supervision Guidance

- Engagement supervision includes the following:
  - tracking the progress of the engagement
  - considering the competence of individual members of the engagement team, whether they understand their instructions, and whether the work is being carried out in accordance with the planned approach to the engagement
  - addressing significant findings and issues arising during the engagement, considering their significance, and modifying the planned approach appropriately
  - identifying matters for consultation or consideration by engagement team members with appropriate levels of skill and proficiency in auditing, specialists, or both during the engagement

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43

43

Paragraph 5.40 - Review

- A review of the work performed includes consideration of whether:
  - the work has been performed in accordance with professional standards and applicable legal and regulatory requirements;
  - significant findings and issues have been raised for further consideration;
  - appropriate consultations have taken place and the resulting conclusions have been documented and implemented;
  - the nature, timing, and extent of the work performed is appropriate and without need for revision;
  - the work performed supports the conclusions reached and is appropriately documented;
  - the evidence obtained is sufficient and appropriate to support the report; and
  - the objectives of the engagement procedures have been achieved.

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44

44

Paragraph 5.59: Monitoring

- Appropriate documentation relating to monitoring may include, for example, the following:
  - monitoring procedures, including the procedure for selecting completed engagements to be inspected
  - a record of the evaluation of the following:
    - adherence to professional standards and applicable legal and regulatory requirements
    - whether the system of quality control has been appropriately designed and is effectively implemented and operating
    - whether the audit organization's quality control policies and procedures have been appropriately applied so that the reports that are issued by the audit organization are appropriate in the circumstances
  - identification of the deficiencies noted, an evaluation of their effect, and the basis for determining whether and what further action is necessary

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45

45

Paragraph 5.61: Peer Review

- Audit organizations affiliated with one of the following recognized organizations should comply with the respective organization's peer review requirements and the requirements in GAGAS.
  - American Institute of Certified Public Accountants
  - Council of the Inspectors General on Integrity and Efficiency
  - Association of Local Government Auditors
  - International Organization of Supreme Audit Institutions
  - National State Auditors Association

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46

46

Paragraph 5.68: Peer Review Risk

- Peer review risk is the risk that the review team:
  - fails to identify significant weaknesses in the reviewed audit organization's system of quality control for its auditing practice, its lack of compliance with that system, or a combination thereof;
  - issues an inappropriate opinion on the reviewed audit organization's system of quality control for its auditing practice, its compliance with that system, or a combination thereof; or
  - makes an inappropriate decision about the matters to be included in, or excluded from, the peer review report.

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47

Paragraph 5.70: Role of Peer Review

- A peer review is designed to test significant risk areas where it is possible that engagements are not being conducted, reported on, or both in conformity with professional standards and applicable legal and regulatory requirements in all material respects.

- A peer review is not designed to test every engagement, compliance with every professional standard, or every detailed component of the audit organization's system of quality control.

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48

Paragraph 5.72: Peer Review Ratings

- Incorporates the 2014 Government Auditing Standards: Guidance for Understanding the New Peer Review Ratings
  - Superseded

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49

49

Waste & Abuse

50

Paragraph 6.20

- Given the concept of accountability for use of public resources and government authority, evaluating internal control in a government environment may also include considering internal control deficiencies that result in waste or abuse.

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51

51

Paragraph 6.20 Con't

- Because the determination of waste and abuse is subjective, auditors are not required to perform specific procedures to detect waste or abuse in financial audits.
- However, auditors may consider whether and how to communicate such matters if they become aware of them.
- Auditors may also discover that waste or abuse are indicative of fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements.

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52

52

Paragraph 6.21: Definition of Waste

- Waste is the act of using or expending resources carelessly, extravagantly, or to no purpose.
- Importantly, waste can include activities that do not include abuse and does not necessarily involve a violation of law.
- Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight.

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53

Paragraph 6.22: Examples of Waste

- The following are examples of waste, depending on the facts and circumstances:
  - Making travel choices that are contrary to existing travel policies or are unnecessarily extravagant or expensive.
  - Making procurement or vendor selections that are contrary to existing policies or are unnecessarily extravagant or expensive

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54

Reporting

- Removes reporting requirements for waste and abuse

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55

55

Reviews of Financial Statements

56

Paragraph 7.86: Review of Financial Statements

- Establishes requirements for reviews of financial statements in addition to the requirements for reviews of financial statements contained in the AICPA's AR-C section 90, Review of Financial Statements.
- Auditors should comply with the additional GAGAS requirements, along with the applicable AICPA requirements, when citing GAGAS in their review engagement reports.

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57

57

Additional Requirements

- 7.89: Noncompliance with Provisions of Laws, Regulations, **Contracts, and Grant Agreements**
- 7.90: Reporting Auditors' Compliance with GAGAS
- 7.93: Distributing Reports

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58

58

CPE

59

Paragraph 4.05: Guidance on Competence

- Competence is the knowledge, skills, and abilities, obtained from education and experience, necessary to conduct the GAGAS engagement.
- Competence enables auditors to make sound professional judgments. Competence includes possessing the technical knowledge and skills necessary for the assigned role and the type of work being done.
- This includes possessing specific knowledge about GAGAS.

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60

60

Paragraph 4.06

- Competence is derived from a combination of education & experience

Education is a structured and systematic process aimed at developing knowledge, skills, and other abilities; it is a process that is typically but not exclusively conducted in academic or learning environments.

Experience refers to workplace activities that are relevant to developing professional proficiency. Competence is not necessarily measured by years of auditing experience because such a quantitative measurement may not accurately reflect the kinds of experiences gained by auditors in any given time period.

- Maintaining competence through a commitment to learning and development throughout auditors' professional lives is an important element for auditors

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61

Paragraph 4.07

- The knowledge, skills, and abilities needed when conducting an engagement in accordance with GAGAS include the understanding necessary to proficiently apply :
  - GAGAS;
  - standards, statutory requirements, regulations, criteria, and guidance applicable to auditing or the objectives for the engagement(s) being conducted; and
  - techniques, tools, and guidance related to professional expertise applicable to the work being performed.
- Auditor proficiency in these areas helps ensure that engagements are conducted in accordance with GAGAS.

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62

Paragraph 4.08

- Achieving the knowledge, skills, and abilities needed to conduct a GAGAS engagement may include:
  - having prior experience in the subject matter or type of engagement;
  - completing CPE related to the subject matter or type of engagement; and
  - obtaining degrees or certifications relevant to the subject matter or type of engagement.

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63

63

Paragraph 4.09

- The audit organization and engagement teams may consider the levels of proficiency needed for each role on the engagement when assigning auditors to the engagement.

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64

64

Paragraph 4.10: Roles

- Nonsupervisory auditors
- Supervisory auditors
- Partners and directors

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65

65

Paragraph 4.11: Definitions

- Planning
- Directing
- Performing engagement procedures
- Reporting

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66

66

Paragraph 4.13: Specialists

- Some engagements may necessitate the use of specialized techniques or methods that call for the skills of specialists.
  - Specialists do not include individuals with special skill or knowledge related to specialized areas within the field of accounting or auditing, such as income taxation and information technology.
    - Such individuals are considered auditors.

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67

67

Paragraph 4.14

- The competence and qualifications of specialists significantly affect whether their work will be adequate for the engagement team's purposes and will meet GAGAS requirements.
  - Competence of specialists relates to the nature and level of expertise.
  - Qualifications of specialists relate to their professional certifications, reputations, and previous work in the subject matter.

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68

68

Paragraph 4.16: CPE Changes

- Same CPE hour requirement
  - Refers to 24 and 56 hours instead of 24 and 80
- *Guidance on GAGAS Requirements for Continuing Professional Education* was incorporated
  - Streamlined topics

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69

69

Paragraph 4.19: Expanded Application Guidance CPE

- The continuing competence of the audit organization's personnel depends, in part, on an appropriate level of CPE so that auditors maintain the knowledge, skills, and abilities necessary to conduct the GAGAS engagement. **Obtaining CPE specifically on GAGAS, particularly during years in which there are revisions to the standards, may assist auditors in maintaining the competence necessary to conduct GAGAS engagements**.

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70

70

Paragraph 4.20: Expanded Application Guidance CPE

- CPE used to fulfill the 24-hour requirement may be taken at any time during the 2-year measurement period.

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71

71

Paragraph 4.21: Clarifications

- When determining what specific subjects qualify for the CPE requirement, the auditors may consider the types of knowledge, skills, and abilities, and the level of proficiency necessary, in order to be competent for their assigned roles.
- Auditors may consider probable future engagements to which they may be assigned when selecting specific CPE subjects to satisfy the 24-hour and the 56-hour CPE requirements.

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72

72

Paragraph 4.23: Expressly Under 24 Hr Requirement

- Standards for Internal Control in the Federal Government
- Internal Control—Integrated Framework

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73

73

Paragraph 4.23 Cont'd: Expressly Under 24 Hr Rqmt

- requirements for federal, state, or local program audits;
- relevant or applicable audit standards or guides, including those for information technology auditing and forensic auditing;
- statutory requirements, regulations, criteria, guidance, trends, risks, or topics relevant to the specific and unique environment in which the audited entity operates;
- statutory requirements, regulations, criteria, guidance, trends, risks, or topics relevant to the subject matter of the engagement, such as scientific, medical, environmental, educational, or any other specialized subject matter;

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74

74

Paragraph 4.23 Cont'd: Expressly Under 24 Hr Rqmt

- topics directly related to the government environment, such as the nature of government (structures, financing, and operations), economic or other conditions and pressures facing governments, common government financial management issues, appropriations, measurement or evaluation of government financial or program performance, and application of general audit methodologies or techniques to a government environment or program;

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75

Paragraph 4.23 Cont'd: Expressly Under 24 Hr Rqmt

- specialized audit methodologies or analytical techniques, such as the use of complex survey instruments, actuarial estimates, statistical analysis tests, or statistical or nonstatistical sampling;
- performance auditing topics, such as obtaining evidence, professional skepticism, and other applicable audit skills;

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76

Paragraph 4.24: 80 Hour Topics

- Communicating clearly and effectively, both orally and in writing
- Managing time and resources

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77

77

Paragraph 4.26: New Exemption

- Nonsupervisory auditors who charge less than 40 hours of their time annually to engagements conducted in accordance with GAGAS may be exempted by the organization from all CPE requirements in paragraph 4.16.

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78

78

Paragraph 4.30: Specialists Clarification

- External specialists are not auditors subject to the GAGAS CPE requirements.
- Internal specialists assisting on a GAGAS engagement who are not involved in planning, directing, performing engagement procedures, or reporting on a GAGAS engagement are not auditors subject to the GAGAS CPE requirements.

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79

Paragraph 4.31: Specialist Clarifications

- Internal specialists who are performing work in accordance with GAGAS as part of the engagement team—including planning, directing, performing engagement procedures, or reporting on a GAGAS engagement—are considered auditors and are subject to the GAGAS CPE requirements.

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80

Paragraph 4.31 Con't: Specialist Clarification

- The GAGAS CPE requirements become effective for internal specialists when an audit organization first assigns an internal specialist to an engagement.
- Because internal specialists apply specialized knowledge in government engagements, CPE in their areas of specialization qualifies under the requirement for 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment in which the audited entity operates.

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81

81

Paragraph 4.33j: Clarified Technical Review

- Developing or technical review of courses or the course materials for programs that qualify for CPE hours

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82

82

Paragraph 4.36f: Does Not Qualify Clarified

- Business sessions at professional organization conferences, conventions, and meetings that do not have a structured educational program with learning objectives

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83

83

Paragraph 4.39: Clarifies Passing Grade

- For individual-study programs where successful completion is measured by a summary examination, CPE credit may be granted if auditors complete the examination with a passing grade.

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84

84

Paragraph 4.44: New Deficiency Guidance

- Audit organizations may also give auditors who have not completed the 20 hours of CPE in a 1-year period up to 2 months immediately following the 1-year period to make up the deficiency.

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85

85

Performance Audits

86

Paragraph 8.12

- Obtaining sufficient, appropriate evidence provides auditors with a reasonable basis for findings and conclusions that are valid, accurate, appropriate, and complete with respect to the audit objectives.

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87

87

Paragraph 8.14

- In performance audits conducted in accordance with GAGAS, auditors are the party who measures or evaluates the subject matter of the engagement and who presents the resulting information as part of, or accompanying, the audit report.
- Therefore, GAGAS does not require auditors to obtain management assertions with respect to the subject matter when conducting a performance audit.

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88

88

Paragraph 8.39

- Auditors should determine and document whether internal control is significant to the audit objectives.

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89

89

Paragraph 8.41

- Consideration of internal control in a performance audit begins with determining the significance of internal control to the audit objectives and documenting that determination.

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90

90

Paragraph 8.41 Con't

- Some factors that may be considered when determining the significance of internal control to the audit objectives include:
  - the subject matter under audit, such as the program or program component under audit, including the audited entity's objectives for the program and associated inherent risks;
  - the nature of findings and conclusions expected to be reported, based on the needs and interests of audit report users;
  - the three categories of entity objectives (operations, reporting, and compliance); and
  - the five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring) and the integration of the components.

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91

91

Paragraph 8.42

- If internal control is significant to the audit objectives, auditors determine which of the five components of internal control and underlying principles are significant to the audit objectives, as all components of internal control are generally relevant, but not all components may be significant to the audit objectives.

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92

92

Paragraph 8.48 Con't

- Key controls often have one or both of the following characteristics:
  a) Their failure may significantly affect the achievement of the entity's objectives, yet not reasonably be detected in a timely manner by other controls.
  b) Their operation may prevent or detect other control failures before they have an opportunity to become significant to the achievement of the entity's objectives.

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93

93

Paragraph 8.54

- Auditors should evaluate and document the significance of identified internal control deficiencies within the context of the audit objectives.

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94

94

Paragraph 8.56

- Determining whether deficiencies are significant within the context of the audit objectives involves evaluating the following factors:
  - Magnitude of impact
  - Likelihood of occurrence
  - Nature of the deficiency

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95

Paragraph 8.97

- Auditors may request that management provide written representations as to the accuracy and completeness of information provided

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96

96

Miscellaneous

97

Paragraph 1.12

- Identifies types of GAGAS Users:
  - Contract Auditors
  - CPA Firms
  - Federal Inspector Generals
  - Federal Agency Internal auditors
  - Municipal Auditors
  - State Auditors
  - Supreme audit institutions

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98

98

Paragraph 1.17

- Recognizes an integrated audit as a financial audit
  - SSAE 18

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99

99

Paragraph 2.14

- For financial audits, attestation engagements, and reviews of financial statements, GAGAS does not incorporate the AICPA Code of Professional Conduct by reference, but recognizes that certain CPAs may use or may be required to use the code in conjunction with GAGAS.

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100

100

Paragraph 3.24

- Explains that the party requesting an engagement may differ from the audited entity, and provides examples as such.

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101

101

Paragraph 3.110

- Attributes of professional skepticism include a questioning mind, **awareness of conditions that may indicate possible misstatement owing to error or fraud**, and a critical assessment of evidence.

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102

102

Paragraph 3.110 Con't

- Professional skepticism includes being alert to, for example, evidence that contradicts other evidence obtained or information that brings into question the reliability of documents or responses to inquiries to be used as evidence.
- Auditors may accept records and documents as genuine unless they have reason to believe the contrary. Auditors may consider documenting procedures undertaken to support their application of professional skepticism in highly judgmental or subjective areas under audit.

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103

103

Paragraph 6.70

- Removed discussion of organizations that follow both GAGAS and IIA standards for distributing reports

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104

104

Effective Date

105

Effective Date

- Effective for financial audits, attestation engagements, and reviews of financial statements for periods ending on or after June 30, 2020, and for performance audits beginning on or after July 1, 2019.
- Early implementation is NOT permitted

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106

106

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What Questions Do You Have?

Melisa F. Galasso
Chief Executive
Melisa@galassolearningsolutions.com
www.galassolearningsolutions.com

107