

## Technical Changes in the July 2007 Revision of *Government Auditing Standards*

**Note:** This listing contains changes from the January 2007 Revision that were made in the July 2007 Revision of *Government Auditing Standards*. The majority of these revisions were made to address questions that have been posed since the revision was posted and for consistency regarding the use of “must” and “should” to define auditor requirements. The remaining changes were made for streamlining, consistency among chapters, or to correct a typographical error. The changes are categorized as follows: (1) clarification of requirements; (2) consistency in use of clarity conventions; (3) consistency among chapters and references; (4) streamlining of text; and (5) correction of typographical error.

### Clarification of requirements

<u>Paragraph(s)</u>	<u>July 2007 Technical Changes and Explanation</u>
1.13	Added footnote reference to chapter 3 for clarification of the applicability of peer review and quality assurance requirements in assessing compliance with GAGAS.
1.13	Clarified the text to read “When auditors do not comply with any applicable requirements, they should (1) assess the significance of <u>the noncompliance</u> to the audit objectives, ...” This clarification adds context to the assessment required in this paragraph.
3.20	Revised the text to read “Audit organizations that provide nonaudit services <u>must</u> evaluate whether providing the services creates an independence impairment either in fact or appearance with respect to entities they audit.” This revision was made to achieve consistency with the same requirement quoted in Para. 1.34.
3.291	Clarified the text to read “carrying out internal audit functions, <u>when performed by external auditors.</u> ” This text was included in the exposure draft and inadvertently deleted in the January 2007 revision.
3.44 and footnote 33	Added back language from paragraph 3.44 and footnote 34 in the 2003 Yellow Book to clearly indicate licensing requirements. This language was dropped in the January 2007 revision for streamlining purposes. This text is being added back due to confusion that was caused by deleting the language.

3.46	Added back the text for the requirement to have 20 hours of CPE in each year to restate this same requirement that is included in GAO's related guidance document due to confusion in the audit community regarding the deletion of this language.
4.01b	Added the definition of reasonable assurance for financial audits, since the definition is included in the final codification of the AICPA general standards and therefore, is not incorporated by reference into GAGAS. We originally anticipated that this would be codified as a field work standard by AICPA and therefore, be automatically incorporated by reference into GAGAS.
4.06 and 6.07	Deleted "directly" from the second sentence due to the confusion that was being caused by the use of that terminology.
4.06 and 6.07	Changed "and" to "or" to indicate that auditors should communicate with the legislative committee in either situation.
5.09	Added a sentence to clarify that if the auditors issued or intend to issue a management letter relating to the current audit, they should refer to the management letter in the report.
5.44a, 6.56a, and 8.43a	Added "As appropriate," to address questions regarding requirements for report distribution for audit organizations in government entities.
5.44b, 6.56b, and 8.43b	Replaced "which state that" with "Under GAGAS and IIA standards," to clarify requirements for report distribution for internal audit organizations in government entities.
6.11	Added clarification that the requirement to obtain an understanding of internal control only applies to examination-level attestation engagements.
7.24, 7.26 and 7.27	Changed the terminology in these paragraphs to consistently use the term "evaluate" rather than "assess."
7.24	Clarified auditor requirements by making it more explicit that the evaluation includes the design and operating effectiveness of the information systems controls. The sentence was modified to read "When information systems controls are determined to be significant to the audit objectives, auditors should then evaluate the <u>design and operating</u> effectiveness of such controls."

### Consistency in use of clarity conventions

<u>Paragraph(s)</u>	<u>Revision and Explanation</u>
1.11	Revised the text to use active voice with “should” to achieve consistency with the clarity conventions used throughout the rest of the Yellow Book revision.
1.23	Moved the auditor requirement in footnote 12 to the main text of 1.23 to be consistent with the clarity conventions used throughout the rest of the Yellow Book revision.
3.15	Revised the text to delete the use of “should” where there is no auditor requirement to achieve consistency with the clarity conventions used throughout the rest of the Yellow Book revision.
3.21	Revised text to “should determine,” rather than “should consider” for consistency with the clarity conventions used throughout the rest of the Yellow Book revision.
4.15, 6.16 and 7.37	Replaced “expectations of what should exist” with “expected performance” to achieve consistency with the clarity conventions used throughout the rest of the Yellow Book revision.
5.08	Moved the auditor requirement in footnote 53 to the main text at the end of paragraph 5.08 to be consistent with the clarity conventions used throughout the rest of the Yellow Book revision.
5.44c, 6.56c, and 8.43c	Replaced “should receive the report” with “will receive the report” to be consistent with the clarity conventions used throughout the rest of the Yellow Book revision.

### Consistency among chapters and references

<u>Paragraph(s)</u>	<u>Revision and Explanation</u>
1.12b	Added language to describe scope limitations to be consistent with the description in chapter 3 to read “Situations when auditors use modified compliance statements include scope limitations, such as restrictions on access to records, <u>government officials, or other individuals needed to conduct the audit.</u> ”
3.16	Added the phrase “for reporting internally” for consistency with the discussion for internal audit organizations throughout the Yellow Book revision.
3.25	Changed “would” to “do” in 3.25a & c and changed “do” to “would” in 3.25b for consistency with the headings that follow.

4.18, 6.19, 7.75 and 7.76	Revised to use the wording “audit objectives” or “engagement objectives” instead of “auditors’ objectives.”
5.11, footnote 67	Changed the terminology in footnote 67 to refer to examples of “control deficiencies” rather than “significant deficiencies” in A.04.
5.35 and 6.47	Removed “and evaluated” for consistency with chapter 8.
7.16	Moved reference from footnote 84 to the main text for consistency with other references.
7.22	Changed “relying” to “using” for consistency with other references.
7.22	Moved reference from footnote 86 to the main text for consistency with other references.
7.42	Changed “rely on” to “use” throughout this paragraph for consistency with other references.
7.46d	Added the sentence pertaining to communication with legislative committees for consistency with chapters 4 and 6: “d. when auditors perform the audit pursuant to a law or regulation or they conduct the work for the legislative committee that has oversight of the audited entity, auditors should communicate with the legislative committee.”
5.40, 5.41, 5.43, 6.52, 6.53, 6.55, 8.39, 8.40, and 8.42	Modified the phrase “limited-official-use” to “limited use” for consistency.

**Streamlining and clarifying the text**

<u>Paragraph(s)</u>	<u>Revision and Explanation</u>
1.13	Streamlined the text by removing redundant “should” phrases.
3.25b	Clarified language to read “Nonaudit services that would not impair the audit organization’s independence with respect to the entities it audits as long as <u>the audit organization complies with the supplemental safeguards in paragraph 3.30.</u> ”
3.30 c	Streamlined the text by removing the duplication of the overarching requirement that is already stated in paragraph 3.22.
3.43d(4)	Revised to add text to complete the phrase to read “if such skills are important to the methodologies or techniques.”
7.22	Clarified the third sentence to read “When an assessment of internal control is <u>needed</u> , the auditor may use the work of the internal auditors ...”

**Correction of typographical error**

<u>Paragraph</u>	<u>Revision and Explanation</u>
3.48	Revised reference in footnote 33 to read GAO-05-568G to correct a typographical error.