

**Listing of Major Changes  
Between the 1994 Yellow Book  
(including amendments 1-3)  
and the 2003 Yellow Book Revision**

- Define the types of audits and the applicable standards
  - Defines financial audits to include financial statement audits and other services covered by the AICPA's *Statement on Auditing Standards*
  - Expressly incorporates attestation engagements as services performed under the AICPA's Attestation Standards and the related *Statement on Standards for Attestation Engagements* and spelled out the additional field work and reporting standards for compliance with GAGAS
  - Eliminates the term "financial related audits"
  - Expands the definition of performance audits to include objectives of effectiveness, economy and efficiency, internal control, and compliance
  - Recognizes that performance audit standards are also applicable to prospective analyses, guidance, or summary information
  - Clarifies that for some audit objectives, there may be overlap between the types of audits and attestation engagements, and in these cases, auditors should consider users' needs and the auditors' knowledge, skills, and experience in deciding which standards to follow
  
- Consistent application of GAGAS where applicable
  - Extends the requirements of Amendment No. 1, requiring documentation of decisions related to internal control over data significantly dependent on computerized information systems and Amendment No. 2, Auditor Communication to both attestation engagements and performance audits
  - Clarifies that auditors are required to report findings on internal control and compliance on attestation engagements and performance audits
  - Clarifies that auditors are required to report on internal control and compliance when they disclaim on the financial statements
  
- Additions to strengthen standards and clarify language
  - Requires auditors, in applying professional judgment, to exercise professional skepticism and perform their work with integrity
  - Requires that audit organizations have a process for recruitment, hiring, continuous development, and evaluation of staff
  - Requires that auditors collectively possess the technical knowledge, skills, and experience necessary to be competent for the type of work being performed before beginning work on the assignment
  - Explicitly states that auditors should have knowledge of GAGAS applicable to the work they are assigned and knowledge of the specific environment in which the audited entity operates and the subject matter under review
  - Requires that auditors be proficient in the AICPA *Statements on Standards for Attestation Engagements* when performing attestation engagements and that nongovernment auditors be licensed CPAs or work for a licensed CPA firm if engaged to perform an attestation engagement

- Clarifies that continuing professional education and training (CPE) should directly enhance the auditor's professional proficiency to perform audits and/or attestation engagements
- Clarifies that external and internal specialists should be qualified and maintain professional competence in their areas of specialization, but are not required to meet the CPE requirements of GAGAS. Also auditors who use the work of specialists should document that the specialists are qualified in their areas of specialization.
- Requires that the internal quality control system include procedures for monitoring, on an ongoing basis, whether the policies and procedures related to the standards are suitably designed and are being effectively applied
- Requires that an audit organization prepare documentation to demonstrate compliance with its policies and procedures for its system of quality control
- Clarifies the external peer review timeframes and that extensions of these timeframes beyond 3 months can only be granted by GAO and should only be requested for extraordinary circumstances
- Requires that each peer review team member have knowledge on how to perform a peer review
- Expands what is included in the peer review report
- Requires auditors to transmit their peer review reports, including the letter of comment, to appropriate oversight bodies and provide a copy of their peer review reports to auditors using their work
- Incorporates the AICPA's general standard on criteria for attestation engagements
- Requires documentation when applicable standards are not followed
- Requires that documentation to support findings, conclusions, and recommendations be available before auditors issue their report
- Requires that audit organizations adequately safeguard audit/attest documentation and develop policies and criteria to deal with situations where requests are made by outside parties to obtain access to audit/attest documentation
- Clarifies the definition of abuse and the auditors' responsibility for field work and reporting of abuse
- Recognizes that auditors may need to exclude reporting certain sensitive information from publicly available reports
- Clarifies that performance audit reports should be appropriate for the intended use and can be in any retrievable form
- Recognizes that oral agency comments can be as acceptable as written comments
- Reorganizes the order and presentation of the standards to provide a more logical grouping of the standards by function, such as planning, audit documentation, and report content
- Clarifies language throughout the standards