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ADVISORY

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2007 REVISION OF GOVERNMENT AUDITING STANDARDS ISSUED

David M. Walker, comptroller general of the United States and head of the U.S. Government Accountability Office, has issued the January 2007 revision of *Government Auditing Standards*. The standards emphasize the critical role of government audits in achieving credibility and accountability in government, with an increased focus on the ethical principles underlying the work of those who audit government programs and activities.

These standards, which were first published in 1972, and are commonly referred to as the “Yellow Book,” cover federal entities and those organizations receiving federal funds. Various laws require compliance with the comptroller general’s auditing standards in connection with audits of federal entities and funds. Furthermore, many states and local governments and other entities, both domestically and internationally, have voluntarily adopted these standards.

The January 2007 version, which supersedes the 2003 revision, contains the final 2007 revisions to the standards, except for the quality control and peer review sections in chapter 3. Concurrent with the electronic issuance of this revision of *Government Auditing Standards*, GAO is exposing for comment redrafted sections on quality control and peer review in response to the wide range of comments we received on those sections. The complete 2007 revision of *Government Auditing Standards* will be available after the quality assurance and peer review sections are finalized and incorporated into the standards. Electronic versions of the documents can be accessed on the Web at <http://www.gao.gov/govaud/ybk01.htm>.

The 2007 revision contains fundamental changes that reinforce the principles of transparency and accountability, and provide the framework for high quality government audits that add value. The changes:

- heighten the emphasis on ethical principles as the foundation, discipline, and structure behind the implementation of the standards, including a description of five key ethical principles that should guide the work of those who audit government programs and operations;
- clarify and streamline the discussion of the impact of professional services other than audit services (nonaudit services) and their impact on auditor independence;

- update the financial auditing standards based on recent developments in financial auditing and internal control, increased transparency surrounding restatements and significant concerns, uncertainties, or other unusual events that could have a significant impact on the financial condition or operations of a government entity or program;
- enhance performance-auditing standards that elaborate on the overall framework for high-quality performance auditing, including the concepts of reasonable assurance and its relationship to audit risk and the levels of evidence used to support audit findings and conclusions;
- clarify the standards through standardized language to define the auditor's level of responsibility and distinguish between auditor requirements and additional guidance; and
- reinforce the key role of auditing in maintaining accountability and providing information for making improvements in government operations.

This revision of the standards went through an extensive deliberative process, including public comments and input from the Comptroller General's Advisory Council on Government Auditing Standards. The Advisory Council includes 26 experts in financial and performance auditing and reporting drawn from federal, state, and local government; the private sector; and academia. The views of all parties were thoroughly considered in finalizing the standards.

The complete 2007 revision of *Government Auditing Standards* will be available after the quality assurance and peer review sections are finalized and incorporated into the standards and will be effective for financial audits and attestation engagements for periods beginning on or after January 1, 2008, and for performance audits beginning on or after January 1, 2008. Early implementation is permissible and encouraged.

For further information, please call Jeanette Franzel, Director, at (202) 512-9471 or Michael Hrapsky, Senior Project Manager, at (202) 512-9535, or e-mail yellowbook@gao.gov.