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United States Government Accountability Office  
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ADVISORY  
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## JULY 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 July 2007 revision of *Government Auditing Standards*. The 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 July 2007 revision of *Government Auditing Standards* supersedes the 2003 revision and updates the January 2007 revision. This revision contains the January 2007 revision plus updated quality control and peer review sections in chapter 3 which were exposed in January 2007. The July 2007 revision represents the completed 2007 revision of *Government Auditing Standards*, and is the version that should be used by government auditors until further updates and revisions are made. An electronic version of this document can be accessed on GAO’s Yellow Book Web page at <http://www.gao.gov/govaud/ybk01.htm>.

The July 2007 revision contains the following fundamental changes from the 2003 revision that reinforce the principles of transparency and accountability and provide the framework for high quality government audits that add value.

- Heightened 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.
- Clarified and streamlined the discussion of the impact of professional services other than audits and attestation engagements (nonaudit services) and their impact on auditor independence.
- Enhanced and clarified the requirements for an audit organization’s system of quality control by specifying the elements of quality that an organization’s policies and procedures should collectively address.
- Added a requirement that external audit organizations make their most recent peer review reports publicly available.

- Updated 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.
- Enhanced 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, significance, and the levels of evidence used to support audit findings and conclusions.
- Clarified the standards through standardized language to define the auditor's level of responsibility and distinguish between auditor requirements and additional guidance.
- Reinforced the key role of auditing in maintaining accountability and providing information for making improvements in government operations.

This revision of the standards has gone through an extensive deliberative process, including public comments and input from the Comptroller General's Advisory Council on Government Auditing Standards. The Advisory Council generally consists of about 25 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 July 2007 revision of *Government Auditing Standards* 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 financial audits, certain standards of the Auditing Standards Board (ASB) that affect *Government Auditing Standards* become effective prior to these dates. We encourage audit organizations to implement the relevant sections of the 2007 revision for financial audits concurrent with the implementation of the related ASB standards.

The July 2007 revision should be used in conjunction with the following guidance documents, which are also available on the Yellow Book Web page:

- *Government Auditing Standards: Answers to Independence Questions* (GAO-02-870G, July 2002) and
- *Government Auditing Standards: Guidance on GAGAS Requirements for Continuing Professional Education* (GAO-05-568G, April 2005).

GAO is also posting a Summary of Major Changes, which highlights significant changes from the 2003 revision, and a listing of technical changes made since the January 2007 revision.

For further information, please call Michael Hrapsky, Specialist—Auditing Standards, at (202) 512-9535 or e-mail [yellowbook@gao.gov](mailto:yellowbook@gao.gov).