

GAO

By the Comptroller General of the
United States

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Government Auditing Standards

2003 Revision

This revision of the standards supersedes the 1994 revision, including amendments 1 through 3. Its provisions are effective for financial audits and attestation engagements of periods ending on or after January 1, 2004, and for performance audits beginning on or after January 1, 2004. Early application is permissible.

to determine the reliability of performance measures, this work can be done in accordance with either the standards for attestation engagements or for performance audits. In cases where there is a choice between applicable standards, auditors should consider users' needs and the auditors' knowledge, skills, and experience in deciding which standards to follow. Auditors should apply the standards that are applicable to the type of assignment conducted (the financial audit standards, the attestation engagement standards, or the performance auditing standards).

Financial Audits

2.05 Financial audits are primarily concerned with providing reasonable assurance about whether financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles (GAAP),⁷ or with a comprehensive basis of accounting other than GAAP. Other objectives of financial audits, which provide for different levels of assurance and entail various scopes of work, may include

a. providing special reports for specified elements, accounts, or items of a financial statement;⁸

⁷The three authoritative bodies for establishing accounting principles and financial reporting standards are the Federal Accounting Standards Advisory Board (federal government), the Governmental Accounting Standards Board (state and local governments), and the Financial Accounting Standards Board (nongovernmental entities).

⁸Special reports apply to auditors' reports issued in connection with the following: (1) financial statements that are prepared in conformity with a comprehensive basis of accounting other than generally accepted accounting principles, (2) specified elements, accounts, or items of a financial statement, (3) compliance with aspects of contractual agreements or regulatory requirements related to audited financial statements, (4) financial presentations to comply with contractual agreements or regulatory requirements, or (5) financial information presented in prescribed forms or schedules that require a prescribed form of auditors' report.

b. reviewing interim financial information;

c. issuing letters for underwriters and certain other requesting parties;

d. reporting on the processing of transactions by service organizations; and

e. auditing compliance with regulations relating to federal award expenditures and other governmental financial assistance in conjunction with or as a by-product of a financial statement audit.

2.06 Financial audits are performed under the American Institute of Certified Public Accountants' (AICPA) generally accepted auditing standards for field work and reporting, as well as the related AICPA Statements on Auditing Standards (SAS). GAGAS prescribe general standards and additional field work and reporting standards beyond those provided by the AICPA when performing financial audits. (See chapters 3, 4, and 5 for standards and guidance for auditors performing a financial audit in accordance with GAGAS.)

Attestation Engagements

2.07 Attestation engagements⁹ concern examining, reviewing, or performing agreed-upon procedures on a subject matter or an assertion¹⁰ about a subject matter and reporting on the results. The subject matter of an attestation engagement may take many forms, including historical or prospective performance or condition, physical characteristics, historical events, analyses, systems and processes, or behavior. Attestation

⁹For consistency within GAGAS, the word "auditor" is used to describe individuals conducting and reporting on attestation engagements.

¹⁰An assertion is any declaration or set of declarations made by management about whether the subject matter is based on or in conformity with the criteria selected.