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GAO Issues Revised Audit Standards

The General Accounting Office (GAO) has released a new edition of its *Government Auditing Standards*, often referred to as the "Yellow Book."

The GAO audit standards have far-reaching applicability. They encompass a variety of laws requiring that audits of federal entities and funding, including the funding many not-for-profit organizations rely on, comply with the standards. Many state and local governments, as well as other entities, have voluntarily adopted the standards.

Who's Affected?

The Yellow Book imposes standards for audits of government organizations, programs, activities and functions, and of government assistance received by contractors, not-for-profit organizations and other nongovernment organizations. The standards, commonly known as generally accepted government auditing standards, are to be followed by auditors and audit organizations when required by law, regulation, agreement, contract or policy.

The Yellow Book standards address auditors' professional qualifications, the quality of an audit and the characteristics of appropriate audit reports.

What's Changed?

The latest version of the Yellow Book represents the fourth revision on the overall standards since their initial release in 1972 and supersedes a previous revision and three amendments.

Specifically, the new version changes the standards by:

- Redefining the types of audits and services covered, including expanding the definition of "performance auditing" to incorporate prospective analyses and other studies, and adding attestation as a separate type of audit,
- Providing consistency in the field work and reporting requirements among all types of audits defined under the standards, and
- Strengthening the standards and clarifying the language in the areas that, by themselves, don't warrant a separate amendment.

When Changes Take Effect

The GAO has announced that the standards are applicable for financial audits and attestation engagements of periods ending on or after Jan. 1, 2004, and for performance audits beginning on or after Jan. 1, 2004. Additionally, the independence standards issued by the GAO in January 2002 are incorporated in the Yellow Book revision.