
Appendix B

Checklist for Review of Adherence to General Standards – 2011 Revision to GAS

OIG UNDER REVIEW
& PERIOD REVIEWED:

REVIEWER(S):

DATE COMPLETED:

Note: The purpose of this appendix is to test the audit organization’s compliance with *Government Auditing Standards* (GAS) and established policies and procedures related to the General Standards of Independence, Competence, Professional Judgment, and Quality Control and Assurance. The testing in this appendix does not include assessing the audit organization’s policies and procedures because that assessment is covered by appendix A. The General Standards cover both the audit organization and the individual auditor. In those cases where the standards cover the audit organization, the steps in this appendix cover the audit organization’s compliance with the General Standards. The individual auditor’s and the team’s compliance with the General Standard of Independence, Competence, and Professional Judgment should be tested during the reviews of selected audits and attestation engagements and are covered by appendices C through E. Whether testing the audit organization, the audit team, or the individual auditor, the nature and extent of testing are dependent upon the audit organization’s policies and procedures, circumstances, and risk factors. The appendix includes questions covering both the 2007 GAS and the 2011 GAS because of the staggered implementation of the new GAS. The questions are identified with the applicable GAS and should be used accordingly.

Testing	Overall Conclusions
1. INDEPENDENCE	
2011 GAS – The following questions are based on the 2011 GAS and should be used for performance audits started on or after December 15, 2011.	
<p>1.1 Review the audit organization’s placement within the structure of the government entity to which it is assigned. Does the audit organization’s reporting level within the agency impact its ability to objectively perform its work and report results? (2011 GAS, 3.14g, 3.27-3.31)</p> <p>1.2 Obtain from the audit organization a list and description of all nonaudit services provided to its agency from the period of its last external peer review. Did the audit organization evaluate whether providing these services created a threat to its independence as an organization? Was the evaluation appropriate? (2011 GAS, 3.14b, 3.33–3.58)</p> <p>1.3 Assess the completeness of the nonaudit services described by the audit organization in the previous step by reviewing the reviewed Office of Inspector General’s (OIG) semi-annual reports to Congress (SAR) or similar reports and strategic and annual planning documents for indicators of any additional nonaudit services that may have been performed by the audit organization. Inquire about any such indicators and assess the potential impact to the audit organization’s independence.</p> <p>1.4 Assess whether the audit organization’s documentation of independence considerations provided evidence of the auditor’s judgments in forming conclusions regarding compliance with independence requirements. Did the audit organization/auditors document: (2011 GAS, 3.59)</p> <ul style="list-style-type: none"> Threats to independence that required the application of safeguards, along with safeguards applied, in accordance with the conceptual framework in GAGAS? 	

Testing	Overall Conclusions
<ul style="list-style-type: none"> • The safeguards required in GAGAS for the audit organization if it is structurally located within a government entity and is considered independent based on those safeguards? • The consideration of audited entity management’s ability to effectively oversee a nonaudit service to be provided by the audit organization? • The auditor’s understanding with an audited entity for which the auditor performed a nonaudit service? 	
<p>2007 GAS – The following questions are based on the 2007 GAS and should be used for performance audits started before December 15, 2011, and financial audits and attestation engagements with periods ending before December 15, 2012.</p>	
<p>1.5 Review the audit organization’s organizational placement within the structure of the government entity to which it is assigned. Does the audit organization’s reporting level within the department or agency result in an organizational impairment? (2007 GAS, 3.13-3.15)</p> <p>1.6 If non-audit services were performed (see steps 1.2 and 1.3), did the audit organization evaluate whether providing the services creates an impairment to independence with respect to the entities they audit? Was the evaluation appropriate? (2007 GAS, 3.20–3.29)</p> <p>1.7 Determine whether appropriate supplemental safeguards were implemented for maintaining auditor independence for certain non-audit services, if performed by the OIG. (2007 GAS, 3.28, 3.30)</p>	
<p>2. COMPETENCE</p>	
<p>2011 GAS – The following questions are based on the 2011 GAS and should be used for performance audits started on or after December 15, 2011.</p>	
<p>2.1 Does the audit organization have a process for recruitment, hiring, continuous development, assignment, and evaluation of staff to maintain a competent workforce? (2011 GAS, 3.70)</p> <p>2.2 Through interviews and observation, determine whether audit staff has access to applicable audit standards and other reference material necessary for planning and performing audit work.</p> <p>2.3 Determine if the auditors and internal specialists who performed work in accordance with GAGAS (including planning, directing, performing audit procedures, or reporting on a GAGAS audit) maintained their professional competence through continuing professional education (CPE). The peer review team should test compliance with this GAGAS standard through a review of documentation that may be maintained in personnel files, individual audit files, or consolidated CPE files or databases. (2011 GAS, 3.76-3.81)</p> <p>2.4 Determine if the audit organization has quality control procedures to help ensure that auditors meet the CPE requirements, including</p>	

Testing	Overall Conclusions
documentation of the CPE completed. (2011 GAS, 3.78)	
<p>2007 GAS – The following questions are based on the 2007 GAS and should be used for performance audits started before December 15, 2011, and financial audits and attestation engagements with periods ending before December 15, 2012.</p>	
<p>2.5 Through interview and observation, determine whether audit staff has appropriate access to applicable audit standards and other reference material necessary for planning and performing its audit work. (2007 GAS, 3.40)</p> <p>2.6 Review documentation associated with a sample of new hires to determine if the audit organization adhered to policies and procedures regarding minimal education and experience requirements. (2007 GAS, 3.40)</p> <p>2.7 Review personnel records or other documentation showing continuing professional education and training received for a sample of auditors to determine if they have met the requirements. As applicable, the testing should include internal specialists used on audits. (2007 GAS, 3.46-3.49)</p>	
<p>3. QUALITY CONTROL AND ASSURANCE</p>	
<p>2011 GAS – The following questions are based on the 2011 GAS and should be used for performance audits started on or after December 15, 2011.</p>	
<p>3.1 Determine if the audit organization established a system of quality control that is designed to provide reasonable assurance of compliance with professional standards and applicable legal and regulatory requirements. The nature, extent, and formality of the quality control system will vary based on the organization’s size, number of offices and geographic dispersion, knowledge and experience of its personnel, nature and complexity of its audit work, and cost-benefit considerations. (2011 GAS, 3.82a, 3.83)</p> <p>3.2 Determine if the documented quality control policies and procedures (covered by appendix A) are communicated to organization personnel. (2011 GAS, 3.84, 3.86-3.88)</p> <p>3.3 Determine if the audit organization documented compliance with its quality control policies and procedures and maintains such documentation for a period of time sufficient to enable those performing monitoring procedures and peer reviews to evaluate the extent of the audit organization’s compliance with its quality control policies and procedures. (2011 GAS, 3.84)</p> <p>3.4 For audit documentation retained electronically, determine whether the organization established effective information systems controls over accessing and updating the audit documentation. The controls are intended to protect the integrity, accessibility, and retrievability of audit information from being compromised if documentation is altered, added to, or deleted without the auditor’s knowledge or if the documentation is lost, or damaged. (2011 GAS, 3.92)</p>	

Testing	Overall Conclusions
<p>3.5 Is the organization performing monitoring procedures that enable it to assess (a) compliance with established policies, procedures, applicable professional standards, and legal and regulatory requirements; and (b) is the system of quality control for audits and attestation engagements properly designed? The nature and extent of the monitoring will depend on policies, procedures, risks, and circumstances. (2011 GAS, 3.93-3.94)</p> <p>3.6 Determine if the organization annually analyzed and summarized the results of its monitoring process; communicated the results to appropriate personnel, including any deficiencies noted during the monitoring process; and made recommendations for appropriate remedial action. As applicable, determine if corrective action was taken. (2011 GAS, 3.95)</p> <p>3.7 For individual audits or attestation engagements included in the external peer review sample that were also examined by the audit organization’s quality control program, determine if the significant conclusions reached by the audit organization are reasonable and consistent with those of the external peer review team. If not, ascertain the reasons for the differences (that is, were the differences attributable to the application of reasonable professional judgment or a deficiency in design or performance of the related quality control procedures).</p> <p>3.8 Determine if the audit organization met the external peer review requirements of GAGAS through an independent peer review once every 3 years, sufficient in scope to meet the GAGAS requirement. (2011 GAS, 3.82b, 3.96-3.97)</p> <p style="padding-left: 20px;">a. For an audit organization receiving its first peer review, determine that the review covers a review period that is no later than 3 years from the date the organization began its first GAGAS audit.</p> <p style="padding-left: 20px;">b. Determine if the audit organization obtained an extension from the CIGIE Audit Committee and the Government Accountability Office if the issuance of the last peer report exceeded the due date by 3 months or more.</p> <p>3.9 Determine if the audit organization made its most recent peer review report publicly available. (Note: This requirement does <u>not</u> apply to the Letter of Comment, if one was issued.) (2011 GAS, 3.105)</p> <p>3.10 Determine if the audit organization provided a copy of the peer review report to those charged with governance, as applicable. (2011 GAS, 3.105)</p>	

Testing	Overall Conclusions
<p>2007 GAS – The following questions are based on the 2007 GAS and should be used for performance audits started before December 15, 2011, and financial audits and attestation engagements with periods ending before December 15, 2012.</p>	
<p>3.11 Determine if the audit organization is performing monitoring procedures that enable it to assess compliance with applicable professional standards and quality control policies and procedures for audits and attestation engagements. In making this determination, consider performing the following:</p> <p>a. Select a sample of quality assurance reports and review the supporting audit documentation to determine if:</p> <ul style="list-style-type: none"> • The quality assurance reports described the work performed and the scope of the work was sufficiently comprehensive; • The quality assurance reports were recent enough to be of value; • The documentation indicates that the quality assurance team performed all the work necessary to satisfy the review objectives; • The documentation indicates that the review was properly supervised; • The findings and recommendations were supported by adequate documentation; • The responsible official provided written comments for each recommendation setting forth the corrective action already taken or proposed; • The official’s comments were adequately assessed; and • The recommendations were tracked and followed up on to ensure corrective action was taken. <p>b. For individual audits or attestation engagements examined by the external peer review team, determine which selected audits were also reviewed as part of the audit organization’s quality control program. Compare the results of the external peer review and the quality control review. If the external peer review’s assessment disclosed deficiencies that the quality control review did not, determine why not. Assess the scope, methodology, and execution of the quality control review to isolate any weakness. If problems are noted, expand the testing to other audits that have been the subject of quality control reviews and examine, as necessary, in order to reach a supportable conclusion regarding the adequacy of the audit organization’s quality control program. (2007 GAS, 3.53f)</p> <p>3.12 Determine if individuals performing monitoring collectively have sufficient expertise and authority for this role. (2007 GAS, 3.53f)</p> <p>3.13 Determine if the audit organization is analyzing and summarizing</p>	

Testing	Overall Conclusions
<p>the results of its monitoring procedures at least annually, with identification of any systemic issues needing improvement, along with recommendations for corrective action. (2007 GAS, 3.54)</p> <p>3.14 Determine if the audit organization received an external peer review performed by reviewers independent of the audit organization being reviewed within the last 3 years. (2007 GAS, 3.55)</p> <p>3.15 Determine whether the audit organization communicated the overall results and the availability of its prior external peer review reports to appropriate oversight bodies. (2007 GAS, 3.61)</p>	
END OF CHECKLIST	