



Association of Local Government Auditors

Peer Review Guide

2008 Revision

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PURPOSE AND OBJECTIVES

ALGA Peer Review Guide (2008)

The Association of Local Government Auditors (ALGA) is committed to improving the quality of auditing in local government. We encourage local auditors to adopt and follow Government Auditing Standards (GAS) issued by the Comptroller General of the United States. ALGA's peer review program is intended to help member organizations in their efforts to meet these standards. Peer review is a benefit of ALGA membership. We encourage members to use this guide for self-assessment and to prepare for and undergo a peer review. Use of the ALGA *Peer Review Guide* for peer reviews not administered through ALGA is prohibited.

GAS requires audit organizations to have an external peer review at least once every three years. As stated in GAS, the external peer review should determine whether, during the period under review, the reviewed audit organization's internal quality control system was adequate and whether quality control policies and procedures were being complied with to provide the audit organization with reasonable assurance of conforming with applicable professional standards. We have designed the forms contained in the ALGA *Peer Review Guide* to assist reviewers in making this determination. Audit organizations should take remedial, corrective actions as needed based on the results of the peer review.

An audit organization can use the ALGA *Peer Review Guide* as a tool to conduct a self-assessment. By completing the Audit Organization Description of its Quality Control System (QCS Description), an organization can identify weaknesses in its internal quality control system and develop improved procedures to help ensure compliance with standards. Audit organizations are advised to conduct such an assessment and have controls in place before undergoing an external peer review.

ALGA would like to acknowledge the following past and current members of the Peer Review Committee for their efforts in contributing to the *Peer Review Guide*:

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If you have questions regarding the ALGA Peer Review Program, the ALGA Peer Review Guide, or if you would like to schedule a peer review, please contact a current Peer Review Committee member. Peer Review Committee member contact information can be obtained from the ALGA web site or Member Services.

OVERVIEW OF THE PEER REVIEW PROCESS

ALGA Peer Review Guide (2008)

There are three major peer review phases: (1) preparation, (2) the site visit, and (3) reporting.

Phase 1: Preparation

The audit organization should contact ALGA at least three months before the review. In the preparation phase, a review coordinator assembles a team consisting of a team leader and, depending on the nature and extent of the review, a number of review members. The coordinator works with the audit organization and team leader to ensure that the review agreement is signed and travel arrangements are made. The audit organization sends the completed background information and description of its internal quality control system to the team members.

Phase 2: The Site Visit

During the site visit phase, the review team examines the organization's internal quality control system and a sample of the audit organization's work for compliance with Government Auditing Standards. In addition, the reviewers meet with audit management to discuss their conclusions. The team assesses the overall level of compliance and begins drafting their report. The site visit should generally last three to five days.

Phase 3: Reporting

The audit organization prepares a written response to the reviewers' conclusions. The reviewers complete and issue their final report. From the date of the exit conference, audit management has two weeks to prepare their written response, and reviewers have four weeks to issue their report.

Please see the "INSTRUCTIONS" section for more detail on the peer review.

INSTRUCTIONS

ALGA Peer Review Guide (2008)

This section of the Peer Review Guide provides instructions for audit organizations that are preparing for peer review. It also provides instructions for peer review teams to prepare for and conduct the review and report the results. The chart, Summary of Steps and Forms, summarizes each major step in the peer review process and indicates who is responsible for each step and when it is to be completed.

Organizations Undergoing Peer Review

In order to prepare for the peer review, the audit organization should:

- *Become familiar with the ALGA peer review process and assess its readiness for review.* Thoroughly reviewing the Peer Review Guide and talking to the review coordinator best accomplish this. (Members can find out how to reach their coordinator by calling member services or from the ALGA web site). Before undergoing review for the first time, many organizations send someone to attend the ALGA peer review workshop, participate in a review of another organization, or review their own work using the ALGA Peer Review Guide. Members can also talk to organizations that have had a peer review and obtain peer review reports from other jurisdictions on the ALGA web site.
- *Set the review period.* The review period establishes the scope of the peer review. The review team will select audit and attestation reports issued during the review period, as well as nonaudit work, to assess the extent to which the work complied with GAS. Most organizations select a three-year review period because GAS requires a peer review at least once every three years. However, organizations may undergo peer review more often, and organizations undergoing their first review may select a shorter period for review. GAS requires organizations to have their first review within three years of the date they initiated their first assignment in accordance with GAS.
- *Contact ALGA to schedule the review.* The review coordinator is responsible for selecting peer review team members with the audit organization's input. GAS requires that members of the peer review team have current knowledge of GAS and the government environment of the organization under review; be independent of the organization under review and its staff; and have knowledge on how to conduct a peer review. The coordinator will recruit a team that meets these requirements. In order to meet the organization's needs, the coordinator may ask for background information, such as the size of the organization, what types of work it conducts, whether the organization has had a review before and

what it has done to prepare for a review. The coordinator will make an effort to accommodate requests – such as recruiting team members with specific skills or experience or from nearby jurisdictions to reduce travel costs.

- *Sign the review agreement.* Once the coordinator has recruited a team and confirmed that members are available for the requested time, the audit organization is responsible for entering into a written agreement with ALGA. The agreement specifies the purpose and scope of the peer review, who will conduct the review, when it will be conducted, and how expenses will be handled. Peer review is a benefit of ALGA membership. Member organizations taking advantage of the peer review program do not pay reviewers for their time but agree to provide personnel for peer reviews of other member organizations. A Standard Review Agreement is included in this Peer Review Guide.
- *Coordinate travel arrangements.* The audit organization should coordinate with ALGA Member Services for travel, hotel and rental car arrangements for peer review team members. Organizations should fully execute the review agreement before making travel arrangements.
- *Complete and send Background and QCS Description forms to peer review team members.* The organization is responsible for sending completed forms and requested supporting documents to team members at least one month before the site visit.

The Background Form provides the team with information about the organization such as the number of staff, office budget, audit authority, types of work performed, and time spent on each type of work. Because GAS recognizes that the nature and extent of an audit organization's internal quality control system depends on a number of factors, this information provides context that helps the team understand the organization's internal controls. The Background Form also requires the organization to list all engagements, nonaudit services, and other types of work completed during the review period. GAS defines and prescribes standards for conducting financial audits (1.22), attestation engagements (1.23), performance audits (1.25) and nonaudit services (1.33). The organization lists the number of reports or other work products completed following these standards on the Background Form and estimates the percent of time spent on the different types of work. The organization should also list, briefly describe, and estimate the amount of time spent on other types of work it conducts for which GAS are not applicable. Examples of other types of work could be providing training or other routine activities (see GAS 3.26-3.27), conducting investigations, or some types of independent monitoring activities. This information is necessary for the team leader to plan the review.

The QCS Description Form provides the team with a narrative description of how the organization ensures GAS compliance. Use the form to describe what the organization does and supplement the descriptions with references to policies and procedures or other relevant documents. The team will use the QCS description to begin assessing the organization's internal control system. Developing an understanding of procedures before the site visit will allow the team to conduct engagement reviews effectively.

Keep in mind that the Peer Review Guide and forms summarize the requirements in the standards. If uncertain about the intent of a question or step, please review the standards and feel free to ask the coordinator questions at any time during the review.

During the on-site portion of the peer review, the audit organization should:

- *Provide work space.* The organization should provide the review team with adequate work space, including opportunities for private discussions. The team will need access to a computer for writing the report. Internet access may also be helpful for the team to access peer review forms and templates.
- *Participate in an entrance conference.* The entrance conference provides an opportunity for audit management to meet the team and discuss any issues or concerns about the review.
- *Ensure requested staff and documents are available to reviewers.* GAS requires the peer review to include review of policies and procedures, audit and attestation reports, other documents related to standards such as CPE records and personnel management files, and interviews with various levels of professional staff to assess their understanding of and compliance with procedures. GAS requires peer reviewers to select engagements for review that provide a reasonable cross section of the organization's work. The organization should ensure that requested staff and documents are available in a timely manner. The organization should alert the team leader before the on-site portion of the review if work papers for some engagements are not stored on site or are not easily accessible. The organization should ensure that prior peer review work papers, if applicable, are available to the team.
- *Discuss preliminary findings and conclusions with team.* The review team will meet with audit management to discuss preliminary conclusions. This meeting should provide an opportunity for the audit organization to respond to the team's questions and offer additional information as needed.

- *Exit conference.* The review team will brief audit management on its final conclusions during the exit conference. The team should share a draft report or outline before or during the meeting. Audit management may provide additional comments at this time. The exit conference also provides an opportunity for reviewers to share informal comments.

After the on-site portion of the peer review, the audit organization should:

- *Prepare written response to the report.* Management's response is appended as part of the final written report. The organization is responsible for preparing the written response and sending it to the review team leader within two weeks after the review. Organizations are often able to complete the response while the team is still on site.
- *Make report available.* GAS requires audit organizations to transmit their peer review reports to the appropriate oversight body. GAS also requires the audit organization to make peer review reports publicly available.
- *Complete travel reimbursements.* The audit organization should reimburse ALGA Member Services for travel, hotel and rental car expenses for peer review team members.
- *Retain peer review work papers.* The peer review team will compile a set of work papers documenting their review. The work papers are the property of ALGA. Audit organizations are responsible for maintaining the work papers at least until completion of the following peer review.
- *Provide feedback about the review to the ALGA Peer Review Committee.* The Peer Review Committee appreciates feedback from organizations undergoing review. Please complete the Peer Review Survey form contained in this Peer Review Guide and fax, email or send it to the Peer Review Committee Chair. The Peer Review Committee will use the information to improve the peer review process and tailor training to address identified needs.

Peer Review Team

Before the on-site portion of the review, the team leader and team members should:

- *Complete the Qualifications and Independence Statement.* The team leader and members of the review team are responsible for completing a Qualifications and Independence Statement, which is included in this guide. The Qualifications and Independence Statement documents that each member of the team complies with the GAS requirements for

members of an external peer review team. Members should send copies of the completed Qualifications and Independence Statement to the team leader, review coordinator, and the organization under review. We recommend forms be transmitted by email. The team leader will retain signed copies for the work papers.

- *Coordinate with the audit organization on travel arrangements.* The audit organization should coordinate with ALGA Member Services for team member travel, hotel and rental car arrangements. Organizations should fully execute the review agreement before making travel arrangements.
- *Review the Peer Review Guide, Government Auditing Standards and related interpretations.* Members of the review team should review the Peer Review Guide, Quality Control System and Audit Engagement Review forms prior to the review. Team members should keep in mind that the Peer Review Guide and forms summarize the requirements in the Standards. If uncertain about the intent of a question or step, team members should read the standard and discuss with the team leader. In addition, we encourage the team leader to review GAO's "Interpretation of Continuing Education and Training Requirements" and "Government Auditing Standards: Answers to Independence Questions." Additional guidance is available on the ALGA web site. The team leader should feel free to ask the review coordinator questions at any time during the review.
- *Review completed Background and QCS Description Forms.* The audit organization is responsible for sending completed Background and QCS Description forms to team members at least one month before the on-site portion of the peer review. All members should review the documents to understand the audit organization's procedures, the organizational environment and the types of work the audit organization conducts. The team leader should use the documents to begin assessing the quality control system and to plan the review – including types of engagements, additional supplementary documentation and potential interview questions. The team leader should consider whether to test the completeness of the engagement list using operational reports issued by the organization such as annual reports, audit plans or internal management records such as time reports and engagement numbering control logs.
- *Select engagements for review.* The team leader is responsible for selecting engagements for review. The engagements should represent a reasonable cross-section of types of work, audit supervisors and time span. The review should be sufficiently comprehensive to provide a reasonable basis for concluding whether the audit organization complied with its system of quality control and whether the system provided reasonable assurance that the organization's work complied with standards.

Once on site, the peer review team should:

- *Conduct a planning meeting.* The reviewers should hold a planning meeting prior to the entrance conference with the audit organization. The meeting provides an opportunity for the team leader to orient team members, make assignments and set a timeline for completing the QCS and audit engagement reviews. The team leader should follow the Team Leader Checklist included in this Guide to ensure all review steps are completed.
- *Conduct entrance conference.* The team is responsible for holding an entrance conference with the audit organization to introduce the team, provide an overview of the process and discuss any issues or concerns the organization may have about the review.
- *Conduct peer review fieldwork, including QCS and engagement reviews.* GAS requires that peer review methods include a review of policies and procedures, audits and attestation reports and other documents related to standards such as CPE records and personnel management files related to hiring, evaluating and assigning employees. GAS also requires that the review include interviews with professional staff to assess their understanding of and compliance with relevant internal quality control procedures. The team leader is responsible for ensuring these requirements are met while completing the QCS and engagement reviews.

The purpose of the QCS review is to assess whether the organization's system of internal control is adequate to ensure that the organization is following applicable *Government Auditing Standards*. The team leader normally completes this form by reviewing the QCS description, and checking relevant policies and procedures, and other documents as necessary including training records and personnel files to confirm compliance with procedures. The team leader should also interview management and staff as necessary to clarify actual practices and assess their understanding of controls. The team leader should also follow-up on prior peer reviews, if applicable. The organization should make work papers from the prior peer review available to the team.

The purpose of the review of audit engagements is to test whether the organization followed its system of internal control and complied with applicable *Government Auditing Standards* on a representative sample of engagements conducted throughout the review period. Peer review team members complete one form for each engagement selected by reviewing the report and supporting working papers. The reviewers should also interview the auditor in charge or audit staff as necessary. Frequent

communication with management and staff throughout the review is helpful to prevent misunderstanding.

- *How and when to review nonaudit work.* GAS recognizes that the provision of nonaudit services may create a personal impairment to audit organization independence. Therefore, GAS limits the type of nonaudit work conducted and prescribes safeguards the audit organization must follow when performing certain types of nonaudit work. The organization is required to document its consideration that the nonaudit service did not conflict with the overarching principles of the Standard and document that application of all safeguards. GAS requires that for individual audits selected for inspection during peer review, all related nonaudit services should be disclosed to the peer review team and the required documentation made available for review. The ALGA peer review process requires that the audit organization describe its body of work, including nonaudit services, to the peer review team before the team selects engagements for review. Organizations are also required to list the number of hours spent on nonaudit services related to audits completed during the review period. The peer review team should consider whether nonaudit services were performed when selecting audits for review. In addition, the team may wish to examine nonaudit documentation for work unrelated to audits the organization conducted in order to test whether the organization applied and documented the application of required safeguards.
- *How and when to review other work.* *Government Auditing Standards* define and prescribe standards for conducting financial audits (1.22), attestation engagements (1.23), performance audits (1.25), and nonaudit services (1.33). Organizations may be conducting other types of work for which GAS are not applicable. For example, GAS 3.26-3.27 describes routine activities such as providing training or answering technical questions that do not require the organization to implement safeguards required when conducting nonaudit services. The organization may also be conducting work such as investigations or some types of independent monitoring for which GAS are not applicable. The purpose of an ALGA peer review is to assess whether the organization's internal quality control system is suitably designed to provide reasonable assurance that the organization is following applicable standards. In general, the team would not need to review other work if it represents an insignificant amount of the organization's overall body of work, and the organization has clear policies and procedures describing how it determines whether GAS are applicable. In cases where the audit organization is conducting a substantial amount of work for which it has determined that GAS do not apply, the team leader should follow-up on this issue during QCS review and consider limited testing. Keep in mind that determining the type of assignment performed and the standards that apply is a matter of professional

judgment (GAS 3.31).

- *Complete Summary of Exceptions Form.* The review team records exceptions (items marked “No” on the QCS and engagement reviews) on the Summary of Exception Form and considers whether the exception was likely to have had a negative impact on audit quality. Team members should use professional judgment when making these determinations. Keep in mind that the nature and extent of an organization’s quality control system depends on a number of factors – including the size of the shop, experience of staff, and type of work performed. The team should also consider what compensating controls are in place. It is useful to group the exceptions by the standard under review in order to identify patterns. For example, the team should record all exceptions relating to planning together on one sheet regardless of whether the work followed financial audit, attestation or performance audit standards. The team then reviews exceptions to identify potential weaknesses in the organization’s internal quality control system and to assess the organization’s overall level of compliance.
- *Discuss preliminary findings and conclusions with management.* The review team is responsible for meeting with audit management to discuss preliminary conclusions. This meeting should provide an opportunity for the organization to respond to questions and offer additional information as needed.
- *Determine the overall level of compliance.* The peer review process is designed to assess the audit organization’s overall level of compliance with *Government Auditing Standards* based on the answers to two questions:
 1. Did the audit organization have an internal quality control system that provided reasonable assurance that audit work conducted was in accordance with applicable government auditing standards?
 2. Did the audit organization follow its system of internal control and comply with applicable government auditing standards in the work it conducted during the period under review?

The QCS review and related testing answers the first question. The engagement reviews and related testing answer the second question. The answers to these questions help the team develop an opinion on overall compliance. There are no quantitative criteria for determining the overall level of compliance. The peer review team must exercise professional judgment in considering the pattern, pervasiveness and significance of exceptions given the overall size and nature of the audit organization reviewed.

The ALGA peer review process can result in three levels of compliance: full, satisfactory or noncompliance.

Full compliance. In concluding that the audit organization was in full compliance with *Government Auditing Standards* over the review period, reviewers are expressing their professional opinion that the quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with applicable GAS. Full compliance does not necessarily imply that the organization complied with GAS in every case – individual judgment and performance vary and can affect the extent of compliance.

Satisfactory compliance. In concluding that the audit organization was in satisfactory compliance with *Government Auditing Standards* over the review period, reviewers are expressing their professional opinion that the audit organization had some deficiencies in its quality control system that resulted in recurring instances of noncompliance with GAS, although the majority of its work substantively complied with GAS.

Noncompliance. In concluding that the audit organization did not comply with *Government Auditing Standards* over the review period, reviewers are expressing their professional opinion that the audit organization had serious deficiencies in its quality control system that resulted in recurring noncompliance with GAS and there was a strong likelihood of negative impact on audit quality.

- *Develop comments for management letter.* The management letter provides an opportunity for the team to provide formal feedback to the organization – both to recognize strengths and to make recommendations for improvements. In cases of satisfactory compliance or noncompliance, the management letter should describe identified deficiencies in detail and make recommendations to bring the organization into full compliance with GAS. In cases of full compliance, the team may prepare a management letter to make recommendations to strengthen or streamline existing controls or address potential problems that are not significant enough to warrant a qualified opinion. A management letter is not required in cases of full compliance, but most audit organizations appreciate the feedback from their peers. The team should develop comments based on their review work, summary of exceptions, and feedback from audit management. Management letter comments should refer to a specific standard. Comments or observations not related to a specific standard or not based on the peer review fieldwork should be provided verbally in discussions with management. The team leader should talk to the review coordinator or another member of the Peer Review Committee about proposed comments and recommendations before drafting the

management letter or should ask the coordinator or other Peer Review Committee members to review a draft of the management letter before sharing it with the audit organization.

- *Draft reports.* The peer review team should draft the opinion report and management letter or draft report outlines prior to the exit conference. Suggested formats for the report and management letter are included in this Guide. GAS requires that the team prepare one or more written reports (GAS 3.59). Reports should indicate the scope of the review, any limitations to scope, and should express an opinion on whether the organization's system of quality control was adequate and complied with during the review period to provide the organization with reasonable assurance of GAS compliance. The opinion report should refer to the management letter if issued.
- *Conduct an Exit Conference.* The review team provides audit management with a briefing on final conclusions during the exit conference. The team should share a draft report or outline before or during the meeting. Audit management may provide additional comments at this time. The exit conference also provides an opportunity for reviewers to share informal comments.

After the on site portion of the peer review, the team should:

- *Prepare the final report(s).* The review team leader has four weeks from the exit conference to issue the team's final report(s), which includes the audit organization's written response. The team leader should address all reports to the head of the audit organization. All reports should be printed on ALGA letterhead (available on the ALGA web site). The report should state that the team used the Peer Review Guide to conduct the review in accordance with Standards for conducting an ALGA peer review. A template for a report cover is also available on the ALGA web site. Teams are often able to complete the final report while on site. The team leader is responsible for distributing copies of the final report to the audit organization, Peer Review Committee Chair and the Review Coordinator.
- *Compile work papers.* The team leader is responsible for compiling work papers. A recommended work paper index is included in this Guide. At a minimum, work papers should include: a copy of the signed review agreement, copies of the reviewers' Qualification and Independence Statements, all Peer Review Guide forms completed as part of the review, summaries of major items discussed at the entrance and exit conferences, and copies of the opinion report, management letter and audit management's formal written response. The team leader should complete work papers to the extent possible while still on site. The audit organization is responsible for retaining the work papers.

SUMMARY OF STEPS AND FORMS

ALGA Peer Review Guide (2008)

STEP/FORM	AUDIT ORGANIZATION	PEER REVIEW TEAM	ALGA
(1) Assess readiness and request review	Reviews guide and talks to review coordinator.		Review coordinator recruits team and confirms dates.
(2) Qualifications and Independence Statement	Receives copies to ensure team members meet needs.	Team leader ensures members complete prior to site visit. Copies to review coordinator and audit organization.	Review coordinator receives copies to ensure team members meet GAS requirements.
(3) Review Agreement	Prepares terms and signs.	Consults with Organization and Review Coordinator on terms of agreement.	Executes agreement and forwards copies to team members.
(4) Travel Arrangements	Coordinates with ALGA Member Services to arrange air travel, hotel and rental car for team members.	Team members coordinate respective travel arrangements with ALGA Member Services and the audit organization.	ALGA Member Services coordinates with audit organization to arrange air travel, hotel and rental car for team members.
(5) Background and QCS Description	Completes and sends to review team one month before site visit.	Reviews and prepares for site visit.	Review coordinator available to answer questions.
(6) Team planning meeting		Team leader orients team, plans work, finalizes engagements selected for review, follows checklist	
(7) Entrance conference	Discusses questions and concerns.	Introduces team and describes process.	
(8) QCS review	Makes staff and documents available.	Completes based on QCS Description, documents and interviews.	Review coordinator available to answer questions.
(9) Review of Audit Engagements	Makes staff and documents available.	Completes based on work papers and interviews.	Review coordinator available to answer questions.
(10) Summary of Exceptions		Completes based on QCS and engagement reviews and interviews.	Review coordinator available to answer questions.

STEP/FORM	AUDIT ORGANIZATION	PEER REVIEW TEAM	ALGA
(11) Meeting of audit management and review team	Responds to team preliminary conclusions, provides additional information and documentation as needed.	Briefs management on preliminary findings and conclusions.	
(12) Assess compliance, prepare comments and draft report(s)		Members reach agreement on overall opinion and develop recommendations. Use sample reports to prepare drafts.	Review coordinator reviews report(s) to provide feedback.
(13) Exit conference	Discuss report(s) and recommendations.	Share draft or outline. Discuss report(s) and recommendations.	Review coordinator available to answer questions.
(14) Written response	Prepares and delivers to team leader within two weeks.	Attaches to final report.	Review coordinator available to answer questions.
(15) Final report		Copies to Audit Organization, Peer Review Committee Chair and Review Coordinator within 4 weeks.	
(16) Work papers	Retain at least until next review is complete. Make available for subsequent peer review.	Team leader compiles work paper file using recommended index.	
(17) Evaluation	Complete evaluation form and send to Peer Review Committee Chair.		Peer Review Committee reviews to assess whether process is working as intended and to identify training topics.

STEP/FORM	AUDIT ORGANIZATION	PEER REVIEW TEAM	ALGA
(11) Meeting of audit management and review team	Responds to team preliminary conclusions, provides additional information and documentation as needed.	Briefs management on preliminary findings and conclusions.	
(12) Assess compliance, prepare comments and draft report(s)		Members reach agreement on overall opinion and develop recommendations. Use sample reports to prepare drafts.	Review coordinator reviews report(s) to provide feedback.
(13) Exit conference	Discuss report(s) and recommendations.	Share draft or outline. Discuss report(s) and recommendations.	Review coordinator available to answer questions.
(14) Written response	Prepares and delivers to team leader within two weeks.	Attaches to final report.	Review coordinator available to answer questions.
(15) Final report		Copies to Audit Organization, Peer Review Committee Chair and Review Coordinator within 4 weeks.	
(16) Work papers	Retain at least until next review is complete. Make available for subsequent peer review.	Team leader compiles work paper file using recommended index.	
(17) Evaluation	Complete evaluation form and send to Peer Review Committee Chair.		Peer Review Committee reviews to assess whether process is working as intended and to identify training topics.

A. STANDARD REVIEW AGREEMENT

ALGA Peer Review Guide (2008)

(Letterhead of Audit Organization)

(Date)

(ALGA Review Coordinator Name and Address)

Dear (Mr./Ms. ALGA Review Coordinator Name):

I would like to thank you for coordinating the peer review for the (Audit Organization). This letter confirms our understanding of the arrangements for the review. The review team will consist of (Team Leader Name) as team leader, with (Member Name) and (Member Name) as team members.

The scope of the review will be to conduct a peer review following guidelines contained in the *ALGA Peer Review Guide, 2008 Revision*. The objectives of the review will be to determine whether during the period (Date Range), the (Audit Organization's internal quality control system was (1) suitably designed and (2) operating effectively to provide reasonable assurance of complying with applicable *Government Auditing Standards* issued by the Comptroller General of the United States.

The review team will prepare a signed report and a letter to management, if appropriate, stating their conclusions. The review team will follow the reporting guidelines contained in the *ALGA Peer Review Guide*.

During the course of the review the review team will have full access to the (Audit Organization) policies and procedures, personnel files, audit and attestation reports, supporting working papers, documents relating to nonaudit services, and any other reports, correspondence, files, documents deemed pertinent by the review team. (Audit Organization) personnel will also be available for interview by the review team.

The on-site portion of the review will be conducted during the period (Date Range). The final report will be issued on ALGA letterhead and will be delivered no later than (Date).

(ALGA Review Coordinator Name)
(Date)
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The (Audit Organization) will pay reasonable expenses incurred by the review team members relating to the review. Meal and incidental travel expenses will be reimbursed based on the United States Federal Government GSA Schedule for the respective region. Air travel, hotel accommodations, rental car transportation, meal and incidental costs will be coordinated and arranged through ALGA Member Services. The value of each review team member's time will not be paid by the (Audit Organization). Instead, the (Audit Organization) will commit audit personnel to conduct peer reviews coordinated by ALGA for its members.

(Audit Organization) agrees to hold ALGA and all of its officers and representatives harmless of any liability arising from actions of the review team members and/or resulting from the review.

If this letter correctly expresses your understanding, please sign and return to me at your earliest convenience.

Sincerely,

(Audit Director Name and Title)

Attachments

Accepted by: _____ (ALGA Review Coordinator Signature and Date)

B. QUALIFICATIONS AND INDEPENDENCE STATEMENT

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This form must be completed and signed by each review team member. Its intent is to document the professional qualifications, independence, knowledge and willingness to conduct the review in accordance with applicable *Government Auditing Standards (GAS)* and the *ALGA Peer Review Guide, 2008 Revision*.

Audit Organization Under Review _____

Review Period _____

MEMBER QUALIFICATIONS

Name/Title _____

Employer _____

Phone _____

E-Mail _____

Address _____

Years

Experience:
Auditing _____

Years Experience:
Supervisory _____

Degrees _____

Certifications _____

Types of Audits
Conducted _____

Types of Entities
Audited _____

Brief description of audit, supervisory, and peer review experience including peer review training, if any:

STATEMENT OF INDEPENDENCE, KNOWLEDGE AND AGREEMENT

I certify the following regarding a peer review of the organization and for the review period cited above:

- I have no personal impairments (as defined in GAS 3.07) that might cause me to limit the extent of the inquiry, limit disclosure, or weaken or slant findings in any way;
- I am not aware of any possible impairment to my independence, in fact or appearance, in conducting the review;
- I have current knowledge of *Government Auditing Standards*; and
- I agree to perform the review under the direction of the ALGA Review Coordinator and in accordance with the *ALGA Peer Review Guide, 2008 Revision*.

Signed: _____

Date: _____

C. REVIEW LEADER CHECKLIST

ALGA Peer Review Guide (2008)

This checklist is to be completed by the review team leader and is intended to assist him/her in planning, organizing and conducting the peer review.

Audit Organization Under Review _____

Name of Review Team Leader _____

Review Item	Date Completed
1. Obtain copy of signed Review Agreement from Review Coordinator.	_____
2. Ensure that each review team member completes and signs a Qualifications and Independence Statement; keep one copy for working papers and provide audit organization and Review Coordinator with copies. Also, ensure each review team member has copy of the <i>Peer Review Guide</i> and current GAS.	_____
3. Remind audit organization that it needs to provide you and all team members with completed Audit Organization Background Information and QCS Description forms at least one month prior to site visit.	_____
4. Coordinate with ALGA Member Services and the audit organization concerning travel arrangements, hotel accommodations, team member reimbursements and other administrative matters. Inquire if the organization would like a formal presentation of the peer review report and/or a meeting with the officials to whom the organization reports.	_____
5. Upon receipt of completed Background Information and QCS Description forms, tentatively complete Review of Audit Organization's Quality Control System form prior to on-site arrival.	_____

Review Item	Date Completed
6. Direct other review team members to study the <i>Peer Review Guide</i> and the organization's Background Information and QCS Description. Help reviewers understand the ALGA review process and coordinate with them as needed in preparation for the site visit.	<hr/>
7. Hold initial review team planning meeting prior to entrance conference with audit organization. Orient team members; assign responsibilities for conducting the QCS Review and Audit/Engagement Reviews; select a sample of work for review and set timeline for completing review.	<hr/>
8. Hold entrance conference with audit organization management. Discuss objectives, process, and review timeline. Remind audit organization to complete Peer Review Survey upon conclusion of the review and send to the Peer Review Committee Chair.	<hr/>
9. Follow-up on issues identified in the audit organization's most recent previous peer review report and assess whether any uncorrected weaknesses from the previous review will impact current review procedures, report or management letter.	<hr/>
10. Assess completeness of the Audits/Engagements Completed and Nonaudit Services Performed listing, which is page 7 of the Background Information.	<hr/>
11. If material, select a sample of nonaudit services from page 7 of the Background Information. Test the audit organization's process for assessing and documenting whether performing these services violates the overarching independence principles in GAS 3.22. Also consider verifying that safeguards in GAS 3.30 relating to nonaudit services were applied and documented, if required. These procedures relate to item #1 in the QCS Review form.	<hr/>

Review Item	Date Completed
12. Complete QCS Review form. This should include discussions with various levels of professional staff to assess their understanding of and compliance with the audit organization's internal quality control system.	<hr/>
13. Oversee completion of Audit Engagement Review forms by other team members.	<hr/>
14. Oversee completion of the Summary of Exception forms.	<hr/>
15. Meet with review team to evaluate Summary of Exception forms, assess audit organization's overall compliance with GAS, and develop management letter comments	<hr/>
16. Discuss preliminary findings and conclusions with Review Coordinator.	<hr/>
17. Meet with managers of the audit organization to discuss preliminary conclusions and obtain their input.	<hr/>
18. Prepare a draft report and management letter. Fax or email copies to Review Coordinator for input.	<hr/>
19. Hold exit conference with managers of the audit organization to discuss the team's final conclusions and the nature of the draft report. Share informal suggestions and comments on audit practices.	<hr/>
20. Complete and sign the report and management letter.	<hr/>
21. Complete working papers using suggested indexing system and leave in the custody of the audit organization.	<hr/>
22. Obtain management response (within two weeks following the exit conference) and provide audit organization with report cover, report and management letter (within four weeks following the exit conference).	<hr/>

Review Item

**Date
Completed**

23. Remind audit organization to email final report packet (e.g. report cover, report, management letter and management response) to the Review Coordinator.

24. Remind audit organization to complete and mail, fax or email Peer Review Survey to Peer Review Committee Chair.

D. SUGGESTED WORKPAPER INDEX

ALGA Peer Review Guide (2008)

The following organization and indexing methodology is recommended in documenting work performed during an ALGA peer review. The index should be modified to accommodate work specific to each review.

- A. Report Files
 - A-1 Report
 - A-2 Management Letter
 - A-3 Management's Response

- B. Administrative Files
 - B-1 Review Confirmation
 - B-2 Review Agreement
 - B-3 Qualifications & Independence Statement
 - B-4 Review Leader Checklist
 - B-5 Miscellaneous Correspondence

- C. Preliminary Peer Review Information
 - C-1 Audit Organization Background Information
 - C-2 Audit Organization Quality Control System Description
 - C-3 Entity Codes and Ordinances
 - C-4 Audit Committee Policies
 - C-5 Organization Charts

- D. Review of Audit Organization's Quality Control System
 - D-1 QCS Summary work paper
 - D-2 QCS Checklist
 - D-3 Staff Education and Experience
 - D-4 CPE Review
 - D-5 Follow-up on prior peer review recommendations and issues
 - D-6 Discussions with audit organization employees

- E. Review of Audit Organization Audits/Engagements
 - E-1 Audit/Engagement Review Summary working paper
 - E-2 Audit/Engagement Review Checklist
 - E-3 Audit/Engagement Review Checklist
 - E-4 Audit/Engagement Review Checklist

- F. Summary of Exceptions
 - F-1 Exception Summary working paper
 - F-2 Summary of Exceptions Checklists

- G. Meeting Notes
 - G-1 Initial Review Team Planning Meeting
 - G-2 Entrance Conference
 - G-3 Meeting with Audit Director
 - G-4 Meeting(s) with Audit Committee Member(s)
 - G-5 Discussion of Preliminary Results with Review Coordinator
 - G-6 Discussion of Preliminary Results with Audit Director
 - G-7 Exit Conference

E. AUDIT ORGANIZATION BACKGROUND INFORMATION

ALGA Peer Review Guide (1/08)

The audit organization uses this form to provide the peer review team with information regarding the audit organization's operating environment and type of work performed. Additional pages may be attached, if necessary, to adequately respond to the information requested in this form.

The audit organization should complete this form and provide a copy to each member of the review team at least one month prior to the site visit.

1. Government Entity: _____
 2. Audit Organization: _____
 3. Name and Title of
Audit Director: _____
 4. Liaison for this
review: _____
 - Name and Title: _____
 - Address: _____
 - _____
 - Phone: _____
 - E-Mail: _____
- | | | | |
|--|--------------------------|------------------|----------------|
| 5. Audit Organization
Staffing Level: | Professional
Auditors | Support
Staff | Total
Staff |
| _____ | _____ | _____ | _____ |
6. Current Annual Operating Budget:

Audit Organization	Government Entity
_____	_____
 7. Describe the authority of your audit organization, how the Audit Director is appointed, to whom the audit organization reports, and where the audit organization is located within the governmental entity. Please attach an organization chart, if available.

8. Describe the mission, duties and responsibilities of your audit organization. Include any duties or responsibilities other than auditing performed by your audit organization as required by charter, ordinance, trust indenture, state statute, benefit/retirement plan, etc.

9. Describe the following documents and, if practical, attach copies of the documents or excerpts of relevant documents to this form. If attaching the referenced documents is not practical, please make the documents available to the review team upon their arrival.

Document/Cite

- | | |
|---|-------|
| <ol style="list-style-type: none"> a. Establishes your audit organization's authority, duties and responsibilities | <hr/> |
| <ol style="list-style-type: none"> b. Summarizes the activities of your audit organization [e.g. annual report] | <hr/> |
| <ol style="list-style-type: none"> c. Guides audit staff in performing their work [e.g. policy manual] | <hr/> |

10. The information presented in Chapter 2 on Ethical Principles in Government Auditing deals with fundamental principles. This chapter does not contain any additional requirements. However, inclusion of those principles in government auditing standards conveys the message that management will set the tone for ethical behavior through policies and procedures that:

- maintain an ethical culture;
- clearly communicate acceptable behavior and expectations to each employee; and
- create an environment that reinforces and encourages ethical behavior throughout the organization. (GAS 2.01 - 2.02)

Describe any policies, procedures, training and awareness measures you have provided audit staff that assist in promoting an ethical culture in your organization.

11. Briefly describe your audit organization’s peer review history including the number of times reviewed, overall period covered by these reviews, professional standards within the scope of the reviews, and entities conducting the reviews. Attach a copy of the report relating to your audit organization’s most recent peer review, regardless of whether the review was conducted by ALGA, and describe any corrective actions taken by your audit organization to address the results of the peer review.

12. For all work performed and/or services provided by your audit organization, list the number of activities and the approximate percentage of total staff time spent on each type of activity during the review period.

Type of Activity	Number of Activities	Percentage of Time
Financial Audits [GAS 1.22]	_____	_____
Attestation Engagements [GAS 1.23]	_____	_____
Performance Audits [GAS 1.25]	_____	_____
Non-Audit Services [GAS 1.33]	_____	_____

13. Please provide the following information on the accompanying spreadsheet of “Audits/Engagements Completed”:
- a. List all reports issued during the review period for financial audits, performance audits and/or attestation engagements performed in accordance with GAS.
 - b. List each nonaudit service totaling more than 40 hours that was performed by your audit organization during the review period.
 - c. For those audits/engagements listed in (a) above, also provide the number of hours of nonaudit and other services that:
 - are relevant to the subject matter of the audit/engagement,
 - totaled more than 40 hours.

G. AUDIT ORGANIZATION
DESCRIPTION OF QUALITY CONTROL SYSTEM
RELATED TO ETHICAL PRINCIPLES IN GOVERNMENT AUDITING
ALGA Peer Review Guide (2008)

The information presented in the chapter on Ethical Principles in Government Auditing deals with fundamental principles and does not contain additional requirements. However, audit organizations may choose to establish procedures that align with the principles included in generally accepted government auditing standards (GAGAS).

Because auditing is essential to government accountability to the public, the public expects audit organizations and auditors who conduct their work in accordance with GAGAS to follow ethical principles. Management of the audit organization sets the tone for ethical behavior throughout the organization by maintaining an ethical culture, clearly communicating acceptable behavior and expectations to each employee, and creating an environment that reinforces and encourages ethical behavior throughout all levels of the organization. The ethical tone maintained and demonstrated by management and staff is an essential element of a positive ethical environment.

The ethical principles that guide the work of the auditors who conduct audits in accordance with GAGAS are: a. the public interest; b. integrity; c. objectivity; d. proper use of government information, resources, and position; and e. professional behavior. (GAS 2.01, 2.04 - 2.15)

P&P Document Reference: _____

QCS Description:

**H. AUDIT ORGANIZATION
DESCRIPTION OF QUALITY CONTROL SYSTEM
ALGA Peer Review Guide (2008)**

GENERAL STANDARD ON INDEPENDENCE: In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be free both in fact and appearance from personal, external, and organizational impairments to independence. (GAS 3.02)

1. Audit organizations are responsible for establishing an internal quality control system to assure compliance with the independence standard. Required elements of an internal quality control system are:

- Policies and procedures to (list document reference for your organization):

- _____ o Identify, report, and resolve personal impairments to auditors' independence (GAS 3.08)
- _____ o Resolve personal impairment in a timely manner (GAS 3.09)
- _____ o Report the impairment in the scope section of the report if the organization cannot resolve the impairment or decline to audit (GAS 3.04, 3.09)
- _____ o Assess the specialists regarding their ability to perform the work and report impartially (GAS 3.05)
- _____ o Notify appropriate parties of impairment issues identified after report issuance (GAS 3.06)

- Communicating the policies and procedures and promoting understanding (GAS 3.08)
- Monitoring compliance (GAS 3.08)
- Establishing a disciplinary mechanism (GAS 3.08)
- Stressing the importance of independence and expectation that auditors will always act in the public interest (GAS 3.08)
- Maintaining documentation of the steps taken to identify potential personal independence impairments (GAS 3.08)

P&P Document Reference
(if not already indicated above): _____

QCS Description:

GENERAL STANDARD ON INDEPENDENCE (continued)

2. Audit organizations must be free from external impairments to independence. External impairments may include: (a) limits or modifications on audit scopes, (b) interference with the selection or application of audit procedures or transactions, (c) restrictions on the time allowed to complete an audit, (d) restrictions on access to records or individuals needed to conduct the audit, (e) interference with assignment, appointment, compensation, and promotion of audit personnel, (f) restrictions on resources provided to the audit organization, (g) authority to overrule or influence the auditor's judgment, (h) threat of replacement over a disagreement with contents of an audit report, and (i) influences that jeopardize the auditors' continued employment. The audit organization's internal quality control system (described above) should include policies and procedures for resolving and reporting external impairments. (GAS 3.10-3.11)

P&P Document Reference: _____

QCS Description:

3. Audit organizations must be free from organizational impairments to independence. Impairments to independence result when the audit function is organizationally located within the reporting line of the areas under audit or when the auditor is assigned or takes on responsibilities that affect operations of the area under audit. Organizational independence can be achieved in various ways for external and internal audit organizations. (GAS 3.12)

*{This space intentionally left blank.
Please respond to the following questions 3A and 3B.}*

3A. External audit organizations are presumed to be free from organizational impairments if:

- at a level of government other than the one to which the audited entity is assigned; or
- in a different branch of government within the same level of government as the audited entity; or
- the audit organization's head is directly elected by voters; or
- the audit organization's head is appointed or confirmed by a legislative body and subject to removal and accountable to a legislative body, or;
- the audit organization's head is appointed and accountable to a statutorily created governing body.

(GAS 3.13-3.14)

There are other structures under which a government audit organization could be considered free from organizational impairments. If the structure is different than the ones listed above, statutory safeguards should be in place that:

- prevent the abolishment of the audit organization by the audited entity;
- require that if the head of the audit organization is removed from office, the head of the agency should report this fact and the reasons for removal to the legislative body;
- prevent the audited entity from interfering with the initiation, scope, timing, and completion of any audit;
- prevent the audited entity from interfering with reporting on any audit;
- require the audit organization to report to a legislative body or other independent governing body;
- give the audit organization sole authority over the selection, retention, advancement, and dismissal of its staff, and;
- grant access to records and documents that relate to the agency, program, or function being audited.

The audit organization should document the statutory provisions in place if it concludes that all the above safeguards are met and provide documentation to the external peer reviewers. (GAS 3.15)

P&P Document Reference: _____

QCS Description:

3B. Internal audit functions are presumed to be organizationally independent if the head of the audit organization meets all the following criteria:

- is accountable to the head or deputy head of the government entity;
- reports the results both to the head or deputy head of the government entity and those charged with governance,
- is located organizationally outside the staff or line management function of the unit under review,
- has access to those charged with governance, and;
- is sufficiently removed from political pressure. (GAS 3.16)

The internal audit organization should report regularly to those charged with governance (GAS 3.17).

The audit organization should document conditions in place that allow it to be free of organizational impairments to independence and provide the documentation to external peer reviewers (GAS 3.19)

P&P Document Reference: _____

QCS Description:

4. Audit organizations that provide nonaudit services must evaluate whether providing the services creates an impairment to independence in fact or appearance with respect to the entities they audit. Policies and procedures and a quality control system should be established that address (GAS 3.20, 3.21):

- Consideration of the two overarching independence principles when assessing the impact of performing nonaudit services (GAS 3.22)
- Evaluation of ongoing audits, planned audits, requirements for providing audits, and audit service policies (GAS 3.23)
- Reporting impairments to the overarching principles with regard to subsequent audit or attestation engagements (GAS 3.24)
- Determination of the type of nonaudit service and whether it impairs independence (GAS 3.25-3.29, 1.33, 1.34)
- Application of supplemental safeguards, when required (GAS 3.30)

P&P Document Reference: _____

QCS Description:

GENERAL STANDARD ON PROFESSIONAL JUDGMENT: Auditors must use professional judgment in planning and performing audits and attestation engagements and in reporting the results. (GAS 3.31)

5. Professional judgment includes exercising reasonable care and professional skepticism:

- Professional skepticism is an attitude that includes a questioning mind and a critical assessment of evidence.
- Professional skepticism includes a mindset in which auditors assume neither that management is dishonest nor of unquestioned honesty.
- Professional judgment may involve collaboration with other stakeholders, outside experts, and management in the audit organization.
- Using professional judgment is important in determining the required level of understanding of the audit subject matter and related circumstances.
- Auditors should document significant decisions affecting the audit's objectives, scope, and methodology; findings; conclusions; and recommendations resulting from professional judgment. (GAS 3.32-3.38)

P&P Document Reference: _____

QCS Description:

GENERAL STANDARD ON COMPETENCE: The staff assigned to perform the audit or attestation engagement must collectively possess adequate professional competence for the tasks required. (GAS 3.40)

6. Audit organization management should assess skill needs to consider whether its workforce has the essential skills that match those necessary to fulfill a particular audit mandate or scope of audits to be performed. (GAS 3.41)

P&P Document Reference: _____

QCS Description:

7. Audit organizations should have a process for recruitment, hiring, continuous development, assignment, and evaluation of staff to maintain a competent workforce. (GAS 3.41)

P&P Document Reference: _____

QCS Description:

8. The staff assigned to conduct an audit or attestation engagement under GAGAS must collectively possess the technical knowledge, skills, and experience necessary to be competent for the type of work being performed before beginning work on that assignment. (GAS 3.43)

P&P Document Reference: _____

QCS Description:

9. Auditors performing financial audits or attestation engagements should be knowledgeable in the relevant generally accepted accounting principles (GAAP), AICPA generally accepted auditing standards, AICPA attestation standards, Statements on Auditing Standards (SAS), Statements on Standards for Attestation Engagements (SSAE), and the application of these standards. If Auditors use GAGAS in conjunction with any other standards, they should be knowledgeable and competent in applying those standards. (GAS 3.44-3.45)

P&P Document Reference: _____

QCS Description:

10. Each auditor performing work under GAGAS should complete, every 2 years, at least 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. Auditors involved in any amount of planning, directing, or reporting on GAGAS assignments and those auditors who spend 20 percent or more of their time annually to GAGAS assignments should also obtain at least an additional 56 hours of CPE (for a total of 80 hours of CPE in every 2 year period) that enhances the auditor's professional proficiency to perform audits or attestation engagements. (GAS 3.46)

P&P Document Reference: _____

QCS Description:

11. The audit organization should have quality control procedures to help ensure that auditors meet the continuing education requirements, including documentation of the CPE completed. (GAS 3.48)

P&P Document Reference: _____

QCS Description:

12. External specialists assisting in performing a GAGAS assignment should be qualified and maintain professional competence in their areas of specialization but are not required to meet the GAGAS CPE requirements. Auditors should assess the professional qualifications of such specialists and document their findings and conclusions. (GAS 3.49)

P&P Document Reference: _____

QCS Description:

GENERAL STANDARD ON QUALITY CONTROL AND ASSURANCE

Each audit organization performing audits or attestation engagements in accordance with GAGAS must:

- a. establish a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements, and
- b. have an external peer review at least once every 3 years. (GAS 3.50)

13. Each audit organization must document its quality control policies and procedures and communicate those policies and procedures to its personnel. The audit organization should document compliance with its quality control policies and procedures and maintain 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. Policies and procedures should collectively address:

- a. Leadership responsibilities for quality within the audit organization
- b. Independence, legal, and ethical requirements
- c. Initiation, acceptance, and continuance of audit and attestation engagements
- d. Human resources
- e. Audit and attestation engagement performance, documentation, and reporting, and
- f. Monitoring of quality. (GAS 3.52-3.53)

P&P Document Reference: _____

QCS Description:

14. The audit organization should analyze and summarize the results of its monitoring procedures at least annually, with identification of any systemic issues needing improvement, along with recommendations for corrective action. (GAS 3.54)

P&P Document Reference: _____

QCS Description:

15. Audit organizations performing audits and attestation engagements in accordance with GAGAS must have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every 3 years. The review should be sufficient in scope to provide a reasonable basis for determining whether, for the period under review, the reviewed audit organization's system of quality control was suitably designed and whether the audit organization is complying with its quality control system in order to provide the audit organization with reasonable assurance of conforming with applicable professional standards. (GAS 3.55-3.56)

P&P Document Reference: _____

QCS Description:

16. An external audit organization¹ should make its most recent peer review report publicly available; for example, by posting the peer review report on an external Web site or to a publicly available file designed for public transparency of peer review results. (GAS 3.61)

P&P Document Reference: _____

QCS Description:

¹ An external audit organization is defined in paragraphs 3.13 through 3.15 of GAS.

STANDARDS FOR
FINANCIAL AUDITS
AND
ATTESTATION ENGAGEMENTS

FIELD WORK STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: AICPA STANDARDS

For financial audits (GAS 4.01, 4.02), GAS incorporates the AICPA fieldwork standards and related AICPA Statements on Auditing Standards (SAS).

For attestation engagements (GAS 6.01, 6.02), GAS incorporates the AICPA general standard on criteria and its fieldwork standards, as well as the related AICPA Statements on Standards for Attestation Engagements (SSAE).

These AICPA standards are identified in GAS. Consideration should be given to all applicable AICPA standards in completing quality control reviews using this guide.

17. GAS incorporates the following AICPA standards for financial audits and attestation engagements:

- (a) The work is to be adequately planned and assistants, if any, are to be properly supervised. (GAS 4.03 and 6.04)
- (b) A sufficient understanding of internal control is to be obtained to plan financial audits and to determine the nature, timing, and extent of tests to be performed. (GAS 4.03) While not necessarily required under AICPA standards, GAS establishes a similar standard regarding internal controls that are material to the subject matter or assertion in examination-level attestation engagements. (GAS 6.10, 6.11)
- (c) Sufficient evidence is to be obtained to afford a reasonable basis for the auditor's opinion/conclusion. (GAS 4.03 and 6.04)
- (d) For attestation engagements only, auditors shall perform the engagement only if the subject matter is capable of evaluation against criteria that are suitable and available to users. (GAS 6.03)

P&P Document Reference: _____

QCS Description:

FIELD WORK STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION
ENGAGEMENTS: AUDITOR COMMUNICATION

18. Auditors should communicate, in writing, the following information to entity management, those charged with governance, and to individuals contracting for or requesting the engagement:

- The auditor’s understanding of the services to be performed;
- The nature, timing and extent of planned testing;
- The level of assurance to be provided;
- Any potential restrictions on the auditor’s report;

If an audit/engagement is terminated before it is completed, auditors should document the results of their work up to termination and the reason for termination. Auditors should use professional judgment to determine whether and how to communicate the reason for termination. (GAS 4.05-4.08, 5.38 and 6.06-6.08)

For financial audits only: In communicating the nature of services and level of assurance provided, auditors should specifically address their planned work and reporting related to testing internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements. (GAS 4.06)

P&P Document Reference: _____

QCS Description:

FIELD WORK STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION
ENGAGEMENTS: PREVIOUS AUDITS AND ATTESTATION ENGAGEMENTS.

19. Auditors should evaluate whether appropriate corrective action has been taken and recommendations implemented to address findings and recommendations from previous audits, attestation engagements, and other studies directly related to the objectives of the audit. Auditors should use this information in assessing risk and determining the nature, timing, and extent of current work. (GAS 4.09, 6.09)

P&P Document Reference: _____

QCS Description:

FIELD WORK STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION
ENGAGEMENTS: FRAUD, ILLEGAL ACTS, VIOLATIONS AND ABUSE

20. Auditors have the following responsibilities relating to fraud, illegal acts, and violations of provisions of contracts or grant agreements in financial audits and attestation engagements:

- (a) For financial audits only: Auditors should design audits to provide reasonable assurance of detecting material misstatements of financial statement amounts or other financial data significant to the audit objectives resulting from violations of provisions of contracts or grant agreements, errors, fraud, or illegal acts. If information comes to the auditors' attention concerning the existence of possible acts that could have a material indirect effect on the financial statements, the auditors should apply procedures specifically directed to ascertain whether such acts have occurred and the effect on the financial statements as well as implications for other aspects of the audit. (GAS 4.10, 4.11, 4.26-4.28)
- (b) For examination-level attestation engagements, auditors are responsible for designing the engagement to provide reasonable assurance of detecting fraud, illegal acts, and violations of contract or grant agreement provisions that could have a material effect on the subject matter of the engagement. (GAS 6.13a, 6.13c)
- (c) For review-level and agreed-upon-procedure-level attestation engagements, auditors should be alert for indications of fraud, illegal acts or violations of contract or grant provisions. If such indications exist that could materially affect the subject matter of the engagement, auditors should apply procedures to ascertain whether fraud, illegal acts or violations of contract or grant provisions has occurred and the effect on the engagement. Because the scope of these types of engagements is limited, auditors are not expected to provide reasonable assurance of detecting fraud, illegal acts or violations of contract or grant agreement provisions. (GAS 6.13b)

P&P Document Reference: _____

QCS Description:

FIELD WORK STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION
ENGAGEMENTS: FRAUD, ILLEGAL ACTS, VIOLATIONS AND ABUSE
(continued)

21. Auditors should be alert for indications of abuse. If indications of abuse exist that could significantly affect the audit/engagement, auditors should apply procedures to ascertain whether abuse has occurred and the effect on the audit/engagement. Because the determination of abuse is subjective, auditors are not expected to provide reasonable assurance of detecting abuse. (GAS 4.12, 4.13, 6.14)

P&P Document Reference: _____

QCS Description:

22. Auditors should exercise professional judgment in pursuing indications of possible fraud, illegal acts, violations of provisions of contracts and grant agreements, or abuse in order not to interfere with potential investigations, legal proceedings, or both. (GAS 4.29, 5.17, 6.29)

P&P Document Reference: _____

QCS Description:

FIELD WORK STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION
ENGAGEMENTS: ELEMENTS OF A FINDING

23. Audit findings may involve deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse. Auditors should plan and perform procedures to develop the elements of findings that are relevant and necessary to achieve the audit objectives. The elements of an audit finding are: criteria, condition, cause, and effect or potential effect. (GAS 4.14 – 4.18, 6.15-6.19)

P&P Document Reference: _____

QCS Description:

FIELD WORK STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: DOCUMENTATION

24. For financial audits: Audit documentation must contain sufficient detail to provide a clear understanding of the work performed, evidence obtained and its source, and the conclusions reached to enable an experienced auditor who has had no previous connection with the audit to understand:

- (a) The nature, timing, and extent of auditing procedures performed;
- (b) Results of procedures performed and evidence obtained;
- (c) Conclusions reached on significant matters;
- (d) That the accounting records agree/reconcile with the audited financial statements or other audited information;
- (e) Evidence of supervisory reviews, before the auditor's report is issued, of work performed that supports findings, conclusions and recommendations included in the report. documentation addressing the departure from the GAGAS requirements and the impact on the audit and auditors' conclusions.
(GAS 4.19 – 4.22)

For attestation engagements: Auditors should prepare attest documentation in sufficient detail to enable an experienced auditor to understand the nature, timing, extent, and results of procedures performed, the evidence obtained, the sources of evidence, and the conclusions reached. In addition to other documentation requirements explicitly addressed in GAS and AICPA standards, auditors should document the following:

- (a) the objectives, scope and methodology of the audit/engagement;
- (b) the work performed to support significant judgments and conclusions, including descriptions of transactions and records examined;
- (c) evidence of supervisory review, before the engagement report is issued, of the work performed that supports findings, conclusions, and recommendations contained in the engagement report; *{Clarification: As with all quality controls established by an audit organization, the nature and extent of the review of audit work may vary depending on a number of factors. See GAS 3.51-3.52.}*
- (d) the auditor's consideration that planned procedures are designed to achieve objectives when evidential matter obtained is highly dependent on

computerized information systems and is material to the objective, and the auditors are not relying on the effectiveness of internal control over those computerized systems that produced the information.

(GAS 6.20-6.23)

P&P Document Reference: _____

QCS Description:

25. Audit organizations should establish policies and procedures for:

- (a) Record retention whether documentation is in paper, electronic, or other media
- (b) Handling requests by outside parties to obtain access to audit documentation

(GAS 4.22 – 4.24, 6.24-6.26)

P&P Document Reference: _____

QCS Description:

REPORTING STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: AICPA STANDARDS

For financial audits (GAS 5.01, 5.02), GAS incorporates the AICPA reporting standards and related AICPA Statements on Auditing Standards (SAS). For attestation engagements (GAS 6.01, 6.02), GAS incorporates the AICPA reporting standards, as well as the related AICPA Statements on Standards for Attestation Engagements (SSAE). Some of these AICPA standards are presented in GAS. Consideration should be given to all applicable AICPA standards in completing quality control reviews using this guide.

26A. The four AICPA reporting standards for financial audits are as follows (GAS 5.03):

- (a) The report must state whether the financial statements are presented in accordance with generally accepted accounting principles (GAAP).
- (b) The report must identify those circumstances in which such principles have not been consistently observed in the current period in relation to the preceding period.
- (c) The report must state when informative disclosures are not reasonably adequate.
- (d) The report must either contain an expression of opinion regarding the financial statements, taken as a whole, or state that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reasons therefore should be stated in the report. In all cases where an auditor's name is associated with financial statements, the report should clearly indicate the character of the auditor's work, if any, and the degree of responsibility the auditor is taking in the auditor's report.

P&P Document Reference: _____

QCS Description:

REPORTING STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: AICPA STANDARDS (continued)

26B. The four AICPA reporting standards for all levels of attestation engagements are as follows (GAS 6.30, 6.31):

- (a) The report must identify the subject matter or the assertion being reported on and state the character of the engagement.
- (b) The report must state the auditor's conclusions about the subject matter or the assertion in relation to the criteria against which the subject matter was evaluated.
- (c) The report must state all of the auditor's significant reservations about the engagement, the subject matter, and, if applicable, the assertion related thereto.
- (d) The report must state that the use of the report is restricted to specified parties under the following circumstances: (1) when the criteria used to evaluate the subject matter are determined by the practitioner to be appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate

understanding of the criteria, (2) when the criteria used to evaluate the subject matter are available only to specified parties, (3) when reporting on subject matter and a written assertion has not been provided by the responsible party, and (4) when the report is on an attest engagement to apply agreed-upon procedures to the subject matter.

P&P Document Reference: _____

QCS Description:

REPORTING STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: REPORTING AUDITOR'S COMPLIANCE WITH GAS

27. Reports should state that the audit or attestation engagement was performed in accordance with GAS. Auditors may also cite AICPA standards in addition to citing GAS. Auditors should disclose which applicable standards are not followed, why, and how it affected or could have affected the results of the audit/engagement. (GAS 1.12, 1.13, 5.05, 5.06, 6.32)

P&P Document Reference: _____

QCS Description:

FIELD WORK STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: REPORTING ON INTERNAL CONTROL AND COMPLIANCE

28. For financial audits only: When providing an opinion or a disclaimer on financial statements, auditors must also report on internal control over financial reporting and on compliance with laws, regulations, and provisions of contracts or grant agreements. To form a basis for expressing an opinion, the auditor must plan and perform the examination to obtain reasonable assurance about whether the entity maintained, in all material respects, effective internal control as of a point in time or for a specified period. (GAS 5.07-5.09)

- a. Auditors should include a description of the scope of the auditors' testing of internal controls. Auditors should state in the reports whether tests they performed provided sufficient, appropriate evidence to support an opinion on the effectiveness of internal control over financial reporting and on compliance.
- b. If separate report(s) are issued the auditor should
 - Include a reference to the separate reports in the report on financial statements;

- State in the financial statement audit report that they are issuing those additional reports;
 - State that the reports on internal control over financial reporting and compliance are an integral part of a GAS audit and important for assessing the results of the audit.
- c. If auditors issued or intend to issue a management letter, they should refer to the management letter in the reports.

P&P Document Reference: _____

QCS Description:

REPORTING STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS: REPORTING DEFICIENCIES IN INTERNAL CONTROL, FRAUD, ILLEGAL ACTS, VIOLATIONS, AND ABUSE

29. For financial audits, including audits of financial statements in which the auditor provides an opinion or disclaimer, and for attestation engagements, auditors should report, as applicable to the objectives of the audit/engagement, and based upon the audit work performed:

- significant deficiencies in internal control, identifying those considered to be material weaknesses
 - all instances of fraud and illegal acts unless inconsequential
 - violations of provisions of contract or grant agreements and abuse that could have a material effect on the financial statements. (GAS 5.10, 5.11, 6.33, 6.34)
- (a) Auditors should include all significant deficiencies in the auditors report on internal control and indicate those that represent material weaknesses. If the auditors obtain sufficient evidence supporting the remediation of a significant deficiency prior to the issuance of the audit report, the auditors should report the significant deficiency and its remediation. (GAS 5.13)
- (b) Auditors should document communication to officials of the audited entity internal controls deficiencies that have an inconsequential effect on the financial statements. (GAS 5.14, 6.35)
- (c) Auditors have reporting responsibilities for fraud, illegal acts and violations. Auditors have responsibility for detecting fraud and illegal acts that have a material effect on the financial statements and informing those charged with

governance. The auditors should include in their audit report relevant information about

- Fraud and illegal acts that have more than inconsequential effect on the financial statements;
 - violations of provisions of contracts or grant agreements that have a material effect on the determination of financial statements amounts significant to the audit; and
 - abuse that is material. (GAS 5.15)
- (d) When violations of provisions of contracts or grant agreements or abuse are less than material but more than inconsequential the auditors should communicate those findings in writing to officials of the audited entity. Auditors should document communication to officials of the audited entity violations or abuse that is inconsequential (GAS 5.16, 6.36, 6.37)
- (e) In two circumstances, auditors should report known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse directly to parties external to the audited entity. (GAS 5.18, 6.39)
- When entity management fails to satisfy legal or regulatory requirements to report such information to external parties specified in law or regulation, auditors should first communicate the failure to report to those charged with governance. If reporting still does not occur, then auditors should report the information directly to the specified external parties.
 - When entity management fails to take timely and appropriate steps to respond to known or likely fraud, illegal acts, violations or abuse that are likely to have a material affect on the financial statements and involves funding from a government agency, auditors should first communicate managements' failure to take timely and appropriate steps to those charged with governance. If timely and appropriate steps are not taken, then auditors should report the entity's failure to take timely and appropriate steps directly to the funding agency.

The auditors should comply with these requirements even if they have resigned or been dismissed from the audit prior to its completion. (GAS 5.19, 6.40) Auditors should obtain sufficient, appropriate evidence such as confirmation from outside parties, to corroborate assertions by management or the entity that the reporting has been made (GAS 5.20, 6.41).

- (f) Presentation of findings should develop the elements of the findings to the extent necessary to achieve the audit objectives. (GAS 5.21, 6.42) Auditors should place their findings in perspective by describing the nature and extent of the issues being reported and the extent of work performed. The findings should be related to the population or number of cases examined or other measures as appropriate. If results cannot be

projected, the auditors' conclusions should be appropriately limited. (GAS 5.22, 6.43)

P&P Document Reference: _____

QCS Description:

**FIELD WORK STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION
ENGAGEMENTS: REPORTING ON RESTATEMENT of PREVIOUSLY ISSUED
FINANCIAL STATEMENTS**

30. Following AICPA standard AU 561, *Discovery of Facts Existing at the Date of the Auditor's Report*, if auditors become aware of new information that might have affected their opinion on previously issued financial statement(s), then the auditors should advise management to determine the potential effect(s) of the new information on the previously issued financial statement(s) as soon as reasonably possible (GAS 5.26). If there are any material misstatements requiring restatement and reissue of the statements, the auditors should advise management to make appropriate disclosure of the new information and their impact on the financial statements to those who are likely to rely on the financial statements.

- a. In addition for GAS, auditors should advise management to make appropriate disclosures when the auditors believe
 - It is likely that previously issued financial statements are misstated, and
 - The misstatement is or reasonably could be material. (GAS 5.27)
- b. Auditors should evaluate the timeliness and appropriateness of management's disclosure and management's actions to determine and correct the misstatement. (GAS 5.28)
- c. When financial statements are restated by management, the auditors should perform audit procedures sufficient to release or update the auditors' report on the restated financial statements regardless of whether the restated financial statements are separately issued or presented on a comparative basis with those of a subsequent period. Auditors should include in their explanatory paragraph additional language regarding the restatement (GAS 5.29).
- d. If management fails to include appropriate disclosures, the auditors should include the omitted disclosures in the auditors' report, if practicable. (GAS 5.30)
- e. Auditors should notify those charged with governance if management does not act in an appropriate timeframe or does not adequately restate the financial statements. Auditors should inform those charged with governance that the auditors will take steps to prevent further reliance on the auditors' report if the governing body fails to notify

oversight bodies and funding agencies that rely on the financial statements. (GAS 5.31)

P&P Document Reference: _____

QCS Description:

REPORTING STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION
ENGAGEMENTS: REPORTING VIEWS OF RESPONSIBLE OFFICIALS

31. If the auditors' report discloses deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse, auditors should obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions. (GAS 5.32-5.38, 6.44-6.50)
- a. Auditors should include in their report a copy of the officials' written comments or a summary. Auditors should include a summary of any oral comments received once they are reviewed for accuracy by the responsible officials. (GAS 5.34, 6.46)
 - b. Auditors should include in the report an evaluation of the comments, as appropriate. (GAS 5.35, 6.47)
 - c. Auditors should state their reasons for disagreeing with comments or planned corrective actions of the audited entity. (GAS 5.37)
 - d. If the officials refuse to provide comments or are unable to provide comments in a reasonable timeframe, the auditors should indicate in the report that the audited entity did not provide comments. (GAS 5.38)

P&P Document Reference: _____

QCS Description:

REPORTING STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION
ENGAGEMENTS: REPORTING PRIVILEGED AND CONFIDENTIAL
INFORMATION

32. If certain pertinent information is prohibited from public disclosure or excluded from the report due to confidential or sensitive nature of the information, auditors should disclose in the report that certain information has been omitted and the reason or other circumstance that makes the omission necessary. Auditors should evaluate whether this omission could distort the audit results or conceal improper or illegal practices. Audit organizations subject to public records laws should determine whether these laws could

impact the availability of classified or limited use reports and affect how they might communicate results. (GAS 5.39-5.43, 6.51-6.55)

P&P Document Reference: _____

QCS Description:

**REPORTING STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION
ENGAGEMENTS: REPORT ISSUANCE AND DISTRIBUTION**

33. Auditors should document any limitation on report distribution. Government auditors should distribute audit reports to those charged with governance, to the appropriate officials of the audited entity, and to the appropriate oversight bodies. As appropriate auditors should also distribute copies of the report to other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations, and to others authorized to receive such reports. (GAS 5.44, 6.56)
- a. Internal audit organizations communicate results to the parties who can ensure that the results are given due consideration. Prior to release to parties outside of the organization, the auditors should assess the potential risk to the organization, consult with senior management and/or legal counsel, and control dissemination.
 - b. Public accounting firms contracted to perform an audit under GAS should clarify report distribution responsibilities with the organization. If the audit firm is to distribute reports, they should reach agreement with the party contracting for the audit about which officials or organizations will receive the report and steps to make the report available to the public.

P&P Document Reference: _____

QCS Description:

STANDARDS FOR
PERFORMANCE AUDITS

FIELD WORK STANDARDS FOR PERFORMANCE AUDITS: PLANNING

34. Auditors must plan and document audit work necessary to define the audit objectives, scope and methodology such that their work will provide reasonable assurance that sufficient, appropriate evidence will support their conclusions. The concepts of reasonable assurance, significance and audit risk provide a framework for applying the performance audit fieldwork standards. In this context, significance means relative importance and audit risk means the possibility that conclusions are inaccurate or incomplete due to inadequate evidence, misrepresentation or fraud, or failure to detect mistakes, inconsistencies or significant errors. Auditors exercise professional judgment in applying these concepts. Auditors should assess significance and audit risk when defining the audit objectives and scope. Auditors should use the information gained in planning to assess significance and audit risks and design audit methodology to reduce audit risk while meeting the audit objectives. (GAS 7.06-7.10)

P&P Document Reference: _____

QCS Description:

35. To the extent relevant to the audit objectives, auditors should assess significance and audit risk by gaining an understanding of the:

- Nature of the program and needs of potential users (GAS 7.11a; 7.13)
- Design and implementation of internal controls (GAS 7.11b; 7.16)
- Design and implementation of information system controls (GAS 7.11c; 7.24; 7.27)
- Legal and regulatory requirements, contract provisions and/or grant agreements (GAS 7.11d; 7.28)
- Potential for fraud and abuse (GAS 7.11d; 7.30)
- Results of previous audits (GAS 7.11e; 7.36)

P&P Document Reference: _____

QCS Description:

36. To the extent relevant to the audit objectives, auditors should identify potential criteria and sources of evidence and evaluate whether to use the work of other auditors or experts (GAS 7.12 a-c; 7.37; 7.39; 7.41).

P&P Document Reference: _____

QCS Description:

37. Based on assessment of the information gained, auditors should determine the type and amount of evidence needed to obtain sufficient, appropriate evidence to address the audit objectives. When auditors conclude that sufficient, appropriate evidence is not available, auditors should evaluate whether internal control or other program weaknesses are the cause. (GAS 7.40)

P&P Document Reference: _____

QCS Description:

38. Auditors should extend audit procedures when there are indications that fraud or abuse significant to the audit objectives may have occurred. If the potential fraud is not significant to the audit objectives, auditors may conduct additional work as a separate engagement or refer the matter to other parties with oversight responsibility. Don't interfere with legal proceedings or investigations. (GAS 7.32; 7.34-35)

P&P Document Reference: _____

QCS Description:

39. Audit management should assign a sufficient number of appropriately skilled staff with competence to perform the audit, including staff and supervisors, providing for on-the-job training of staff, and engaging specialists when necessary (GAS 7.12d; 7.44-45)

P&P Document Reference: _____

QCS Description:

40. Auditors should communicate an overview of the objectives, scope and methodology, and timing of the performance audit to management of the audited entity, those charged with governance, and requestors as applicable. Auditors should document the communication and any process used to identify those who should receive communications. If an audit is terminated before it is completed and no audit report is issued, auditors should document results of their work to date and why it was terminated. (GAS 7.12e; 7.46-49)

P&P Document Reference: _____

QCS Description:

41. Auditors must prepare a written audit plan for each audit. Auditors should update the plan as necessary. (GAS 7.12f; 7.50)

P&P Document Reference: _____

QCS Description:

FIELD WORK STANDARDS FOR PERFORMANCE AUDITS: SUPERVISION

42. Audit supervisors must properly supervise audit staff. Elements of supervision include directing and guiding staff members in conducting work and following standards, staying informed about significant problems encountered, reviewing the work performed before the audit report is issued, and providing effective on-the-job training. The nature and extent of the review of audit work may vary depending on a number of factors. Reviews of audit work should be documented. (GAS 7.52-7.80c)

P&P Document Reference: _____

QCS Description:

FIELD WORK STANDARDS FOR PERFORMANCE AUDITS: EVIDENCE

43. Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions. Sufficiency refers to the amount of evidence gathered and presented. Appropriateness refers to the quality of evidence including its relevance to the audit objectives, reliability and validity. Auditors should evaluate whether the evidence taken as a whole is sufficient

and appropriate for addressing the audit objectives and supporting findings and conclusions. Auditors should document their assessment. The specific steps to assess evidence will depend on the nature of the evidence, how it is used in the audit and the audit objectives. When auditors identify limitations or uncertainties in evidence that is significant to the audit findings and conclusions, auditors should apply additional procedures to strengthen the evidence, redefine the audit objectives or scope to eliminate the need to use the evidence, or revise the findings and conclusions such that supporting evidence is sufficient and appropriate. (GAS 7.55-57; 7.68; 7.70-71)

P&P Document Reference: _____

QCS Description:

**FIELD WORK STANDARDS FOR PERFORMANCE AUDITS:
DOCUMENTATION**

44. Auditors must prepare audit documentation related to planning, conducting and reporting for each audit before issuing the report. Documentation should provide enough detail for an experienced auditor to understand the nature, timing, extent and results of work; evidence obtained; sources of evidence; and auditors' conclusions and significant judgments including:
- objectives, scope, methodology of audit;
 - work performed to support significant judgments and conclusions including descriptions of transactions and records examined;
 - evidence of supervisory review; and
 - support for findings, conclusions and recommendations (GAS 7.77-7.80)

P&P Document Reference: _____

QCS Description:

45. Auditors should document departures from GAS requirements and the impact on the audit and auditors' conclusions (GAS 7.81)

P&P Document Reference: _____

QCS Description:

46. Audit organizations should establish policies and procedures for safe custody, retention, retrieval and sharing of audit documentation to satisfy legal, regulatory and administrative requirements. For audit documentation that is retained electronically, the organization should establish information systems controls concerning accessing and updating documents. The audit organization should make documentation available to other auditors or reviewers upon request, subject to applicable laws and regulations. The audit organization should develop policies to deal with requests from outside parties for access to audit documentation. (GAS 7.82-84)

P&P Document Reference: _____

QCS Description:

REPORTING STANDARDS FOR PERFORMANCE AUDITS: REPORTING

47. Auditors must issue audit reports communicating the results of each completed performance audit. Auditors should use a form of the audit report that is appropriate for its intended use and is in writing or in some other retrievable form. When audit organizations are subject to public records laws, auditors should determine whether those laws could impact the availability of certain reports (see GAS 8.42). The purposes of audit reports are (1) to communicate the results of audits to the appropriate officials; (2) make results less susceptible to misunderstanding; (3) make results available to the public, except when certain information may be classified or otherwise prohibited from general disclosure (see GAS 8.39); and (4) facilitate follow-up to determine whether appropriate corrective actions have been taken. (GAS 8.03-8.05)

If an audit is terminated before it is completed and no audit report is issued, auditors should document results of their work to date and why it was terminated.

(GAS 8.06)

P&P Document Reference: _____

QCS Description:

REPORTING STANDARDS FOR PERFORMANCE AUDITS: REPORT CONTENTS

48. Auditors should prepare audit reports that clearly describe in an unbiased manner (1) the objectives, scope (including limitations and constraints), and methodology of the audit; (2) the audit results, including findings, conclusions, and recommendations, as appropriate; (3) a statement about the auditors' compliance with GAGAS; (4) a summary of the views of responsible officials; and (5) if applicable, the nature of any confidential or sensitive information omitted. (GAS 8.08-8.13)

P&P Document Reference: _____

QCS Description:

49. In the audit report, auditors should present sufficient, appropriate evidence to support the findings and conclusions in relation to the audit objectives. Auditors should describe in their report limitations or uncertainties with the reliability or validity of evidence, should place their findings in perspective, should disclose significant facts relevant to the objectives of their work, and should report deficiencies in internal control that are significant within the context of the objectives of the audit. (GAS 8.08, 8.14-8.18)

If after the report is issued, auditors discover that they did not have sufficient, appropriate evidence, they should communicate this information to appropriate officials, remove the report from any publicly accessible website, and determine whether to conduct additional audit work necessary to reissue the report with revised findings or conclusions. (GAS 8.07).

P&P Document Reference: _____

QCS Description:

50. Auditors should include in the audit report (1) the scope of their work on internal control and (2) any deficiencies in internal control that are significant within the context of the audit objectives and based upon the audit work performed. Auditors should document and refer to any written communication regarding internal control deficiencies in the audit report if such communication is separate from the audit report. (GAS 8.19 - 8.20)

P&P Document Reference: _____

QCS Description:

51. When auditors conclude, based on sufficient, appropriate evidence, that fraud, illegal acts, significant violations of provisions of contracts or grant agreements, or significant abuse either has occurred or is likely to have occurred, they should report the matter as a finding. (GAS 8.21-8.23)

P&P Document Reference: _____

QCS Description:

52. Auditors should report known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse directly to parties outside the audited entity when, (1) the entity fails to satisfy legal or regulatory requirements to report such information to external parties, and/or (2) when entity management fails to take timely and appropriate steps to respond to known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse. (GAS 8.24-8.26)

P&P Document Reference: _____

QCS Description:

53. Auditors should report conclusions, as applicable, based on the audit objectives and the audit findings. Report conclusions are logical inferences about the program based on the auditors' findings, not merely a summary of the findings. (GAS 8.27)

P&P Document Reference: _____

QCS Description:

54. Auditors should recommend actions to correct problems identified during the audit and to improve programs and operations when the potential for improvement in programs, operations, and performance is substantiated by the reported findings and conclusions. Auditors should make recommendations that flow logically from the findings and conclusions, are directed at resolving the cause of identified problems, and clearly state the actions recommended. (GAS 8.28 – 8.29)

P&P Document Reference: _____

QCS Description:

55. When auditors comply with all applicable GAGAS requirements, they should use the following language, which represents an unmodified GAGAS compliance statement, in the audit report to indicate that they performed the audit in accordance with GAGAS. (See paragraphs 1.12 and 1.13.)

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

When auditors do not comply with all applicable GAGAS requirements, they should include a modified GAGAS compliance statement in the audit report. (See paragraphs 1.12 and 1.13.) (GAS 8.08, 8.30 – 8.31)

P&P Document Reference: _____

QCS Description:

56. Providing a draft report with findings for review and comment by responsible officials of the audited entity and others helps the auditors develop a report that is fair, complete, and objective. Including the views of responsible officials results in a report that presents not only the auditors' findings, conclusions, and recommendations, but also the perspectives of the responsible officials of the audited entity and the corrective actions they plan to take. Obtaining the comments in writing is preferred, but oral comments are acceptable. Auditors should include in their report a copy of any written comments from responsible officials or a summary of the written or oral comments. Where appropriate, auditors should include an evaluation of the comments, and if auditors disagree with the comments, they should explain their reasons. Conversely, auditors should modify their report if they find the comments valid and supported with sufficient, appropriate evidence. (GAS 8.08, 8.32-8.37)

P&P Document Reference: _____

QCS Description:

57. If certain pertinent information is prohibited from public disclosure or is excluded from a report due to the confidential or sensitive nature of the information, auditors should disclose in the report that certain information has been omitted and the reason or other circumstances that makes the omission necessary. When certain information may be classified or otherwise prohibited from general disclosure by federal, state, or local laws or regulations, auditors may issue a separate, classified or limited use report to only authorized persons. Auditors should evaluate whether excluding certain information is appropriate considering the broad public interest in the program or activity under review. When audit organizations are subject to public records laws, auditors should determine whether those laws could impact the availability of certain reports and whether other means of communicating to officials would be more appropriate. (GAS 8.08, 8.38-8.42)

P&P Document Reference: _____

QCS Description:

REPORTING STANDARDS FOR PERFORMANCE AUDITS: DISTRIBUTING REPORTS

58. Distribution of reports completed under GAGAS depends on the relationship of the auditors to the audited organization and the nature of the information contained in the report. If the subject of the audit involves material that is classified for security purposes or contains confidential or sensitive information, auditors may limit the report distribution. (See paragraphs 8.38 through 8.42 for additional guidance on limited report distribution.) Auditors should document any limitation on report distribution.

Audit organizations in government entities should distribute audit reports to those charged with governance, to the appropriate officials of the audited entity, and to the appropriate oversight bodies or organizations requiring or arranging for the audits. Internal audit organizations in government entities should communicate results to parties who can ensure that the results are given due consideration. Public accounting firms contracted to perform an audit under GAGAS should clarify report distribution responsibilities and reach agreement with the contracting organization about which officials will receive the report and the steps being taken to make the report available to the public. (GAS 8.43)

P&P Document Reference: _____

QCS Description:

I. REVIEW OF AUDIT ORGANIZATION'S QUALITY CONTROL SYSTEM

ALGA Peer Review Guide (2008)

GENERAL STANDARDS:	Yes	No	N/A	Reviewer Comments
<u>INDEPENDENCE</u>				
1. Audit organization must in fact and appearance be independent. Have P&P to identify, report and resolve personal impairments. Communicate P&P to staff, monitor compliance and maintain documentation. (GAS 3.02-3.09)	_____	_____	_____	_____
2. Be free from external impairments. Have P&P for resolving and reporting external impairments. (GAS 3.10-3.11)	_____	_____	_____	_____
3. Be free from organizational impairments. (GAS 3.12):				
A. <u>External audit organizations</u> , through appropriate reporting or organizational structure (GAS 3.13-3.14) or through other statutory safeguards. (GAS 3.15)				
B. <u>Internal audit functions</u> , by meeting all required criteria (GAS 3.16) reporting regularly (GAS 3.17) and documenting conditions allowing organizational independence. (GAS 3.19)	_____	_____	_____	_____

GENERAL STANDARDS:

Yes

No

N/A

Reviewer Comments

4. P&P to evaluate whether the provision of nonaudit services impairs independence, report impairments, determine type of nonaudit service, and application of safeguards, when required. (GAS 1.33, 1.34, 3.20-3.30)

PROFESSIONAL JUDGMENT

5. Use professional judgment in planning and performing audits and attestation engagements and in reporting the results. (GAS 3.31, 3.38)

COMPETENCE

6. Staff assigned possess adequate professional competence. Assess skill needs. (GAS 3.40)

7. Process for recruitment, hiring, continuous development, assignment, and evaluation of staff. (GAS 3.41)

8. Staff assigned to conduct audit or attestation engagement must collectively possess the technical knowledge, skills, and experience necessary. (GAS 3.43)

GENERAL STANDARDS:	Yes	No	N/A	Reviewer Comments
9. Auditors performing financial audits or attestation engagements are knowledgeable in the relevant principles and standards (e.g. GAAP, SAS, SSAE, etc.) (GAS 3.44-3.45)				
10. Auditors should complete, every 2 years, at least 80 hours of CPE, of which 24 hours directly relate to government auditing. (GAS 3.46)				
11. Audit organization has quality control procedures to help ensure that auditors meet CPE requirements. (GAS 3.48)				
12. External specialists assisting in performing a GAGAS assignment are qualified. (GAS 3.49)				
<u>QUALITY CONTROL</u>				
13. Document and communicate quality control policies and procedures. (GAS 3.52-3.53)				
14. Analyze and summarize the results of its monitoring procedures at least annually. (GAS 3.54)				
15. Have external peer review every three years. (GAS 3.50, 3.55, 3.56)				
16. Make most recent peer review report publicly available. (GAS 3.61)				

**FINANCIAL AND
ATTESTATION
STANDARDS:**

	Yes	No	N/A	Reviewer Comments
<u>AICPA STANDARDS¹</u>				
17. Follow AICPA standards and similar GAS. (GAS 4.01, 4.02, 4.03, 6.01, 6.02, 6.03, 6.04, 6.10, 6.11)	_____	_____	_____	_____
18. Communicate understanding of services to be performed, planned testing, level of assurance, and reporting. (GAS 4.05-4.08, 5.38, 6.06-6.08)	_____	_____	_____	_____
<u>FOLLOW UP²</u>				
19. Follow up on findings from prior audits/engagements. (GAS 4.09, 6.09)	_____	_____	_____	_____
<u>FRAUD, ILLEGAL ACTS, ETC.²</u>				
20. Design work to provide reasonable assurance of detecting material financial misstatements, fraud, illegal acts and violations that are significant to audit objectives. (GAS 4.10, 4.11, 4.26-4.28, 6.13)	_____	_____	_____	_____
21. Be alert for indications of material abuse. (GAS 4.12, 4.13, 6.14)	_____	_____	_____	_____

¹ "No" responses in this area should be listed on the Summary of Exceptions form for the Planning, Supervision or Evidence standards. The review team should determine the applicable standard under review based upon the nature of the exception noted.

² No responses in this area should be listed on the Summary of Exceptions form relating to the Planning standards.

**FINANCIAL AND
ATTESTATION
STANDARDS:**

	<u>Yes</u>	<u>No</u>	<u>N/A</u>	<u>Reviewer Comments</u>
22. Do not interfere with investigations or legal proceedings. (GAS 4.29, 5.17, 6.29)				

ELEMENTS OF A FINDING

23. Develop the elements of a finding that are relevant and necessary to achieve audit objectives. (GAS 4.14-4.18, 6.15-6.19)				
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DOCUMENTATION

24. Adequately document work prior to report issuance. (GAS 4.19-4.22, 6.20-6.23)				
25. Establish P&P regarding record retention and requests from outside parties. (GAS 4.22-4.24, 6.24-6.26)				

REPORTING

26A. Follow AICPA standards for financial audits. (GAS 5.03)				
26B. Follow AICPA standards for attestation engagements. (GAS 6.30-6.31)				
27. Cite GAS in report, disclose when not followed. (GAS 1.12, 1.13, 5.05, 5.06, 6.32)				

**FINANCIAL AND
ATTESTATION
STANDARDS:**

	Yes	No	N/A	Reviewer Comments
28. Report on internal control and compliance with laws, regulations, and provisions of contracts or grant agreements. (GAS 5.07-5.09)	_____	_____	_____	_____
29. Report significant deficiencies in internal control, identifying material weaknesses, fraud, illegal acts, violations and abuse. (GAS 5.10, 5.11, 5.13-5.16, 5.18-5.22, 6.33-6.37, 6.39-6.43)	_____	_____	_____	_____
30. Advise of information affecting previously issued financial statements, determine potential effects of information, and necessary restatements. (GAS 5.26-5.31)	_____	_____	_____	_____
31. Report views and plans of responsible officials. (GAS 5.32-5.38, 6.44-6.50)	_____	_____	_____	_____
32. Report the nature of and requirement for omitted information. (GAS 5.39-5.43, 6.51-6.55)	_____	_____	_____	_____
33. Submit reports to appropriate officials and make available to public. Document any limitation on report distribution. (GAS 5.44, 6.56)	_____	_____	_____	_____

PERFORMANCE STANDARDS:

Yes

No

N/A

Reviewer Comments

PLANNING

34. Plan and document work necessary to define audit objectives, scope and methodology such that work provides reasonable assurance that sufficient, appropriate evidence supports conclusions. (GAS 7.06-7.10)

35. To the extent relevant to the audit objectives, planning allows auditors to understand and assess risks related to the:

- Nature of the program and needs of potential users (GAS 7.11a; 7.13)
- Design and implementation of internal controls (GAS 7.11b;7.16)
- Design and implementation of information system controls (GAS 7.11c; 7.24; 7.27)
- Legal and regulatory requirements, contract provisions and/or grant agreements (GAS 7.11d; 7.28)
- Potential for fraud and abuse (GAS 7.11d; 7.30)
- Results of previous audits (GAS 7.11e; 7.36)

PERFORMANCE STANDARDS:

	Yes	No	N/A	Reviewer Comments
36. To the extent relevant to the audit objectives, planning allows auditors to identify potential criteria and sources of evidence, and evaluate whether to use the work of other auditors or experts. (GAS 7.12 a-c; 7.37; 7.39; 7.41)				
37. Determine the type and amount of evidence needed to obtain sufficient, appropriate evidence to address the audit objectives. Evaluate whether internal control or other program weaknesses are the cause when auditors conclude that sufficient, appropriate evidence is not available. (GAS 7.40)				
38. Extend audit procedures when there are indications that fraud or abuse significant to the audit objectives may have occurred; don't interfere with legal proceedings or investigations. (GAS 7.32; 7.34-35)				
39. Assign sufficient number of appropriately skilled staff. Engage specialists when necessary. (GAS 7.12d; 7.44-45)				

PERFORMANCE STANDARDS:

	Yes	No	N/A	Reviewer Comments
40. Communicate planned testing and reporting to management, those charged with governance and requestors. Document communications. Follow appropriate requirements if audit is terminated before completed. (GAS 7.12e; 7.46-49)				
41. Prepare and update a written audit plan. (GAS 7.12f; 7.50)				

SUPERVISION

42. Properly supervise staff. Review work performed and document review of work before issuing the audit report. (GAS 7.52-7.80c)				
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EVIDENCE

43. Obtain sufficient, appropriate evidence to provide reasonable basis for findings and conclusions. Document assessment that evidence taken as a whole is sufficient and appropriate for addressing audit objectives and supporting findings and conclusions. Apply additional procedures, redefine the audit objectives, or revise the findings and conclusions if necessary based on the assessment. (GAS 7.55-57; 7.68; 7.70-71)				
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PERFORMANCE STANDARDS:

Yes No N/A Reviewer Comments

DOCUMENTATION

44. Prepare and maintain audit documentation related to planning, conducting, and reporting on the audit to support findings, conclusions and recommendations before issuing the report. (GAS 7.77-7.80)

45. Document departures from GAS requirements and the impact on the audit and auditors' conclusions. (GAS 7.81)

46. Establish policies and procedures for custody, retention, retrieval and sharing of audit documentation. (GAS 7.82-84)

REPORTING

47. Issue audit report. Make the report available to the public, as allowable under applicable public records laws. (GAS 8.03-8.06)

48. Clearly describe in an unbiased manner the objectives, scope, and methodology, as well as other report requirements. (GAS 8.08-8.13)

PERFORMANCE STANDARDS:

	Yes	No	N/A	Reviewer Comments
49. Present sufficient, appropriate evidence to support the findings and conclusions in relation to audit objectives. (GAS 8.07-8.08, 8.14-8.18)	_____	_____	_____	_____
50. Report scope of work on internal controls and any significant deficiencies found. Refer to separate written communication to officials in audit report. (GAS 8.19- 8.20)	_____	_____	_____	_____
51. Report likely fraud, illegal acts, significant violations of contracts or grant agreements, or significant abuse. (GAS 8.21-8.23)	_____	_____	_____	_____
52. Report known or likely fraud, illegal acts, violations of contracts or grant agreements, or abuse to any appropriate outside parties. (GAS 8.24-8.26)	_____	_____	_____	_____
53. Report conclusions based on objectives and findings. (GAS 8.27)	_____	_____	_____	_____
54. Recommend actions to correct identified problems and to improve programs and operations. (GAS 8.28- 8.29)	_____	_____	_____	_____

PERFORMANCE STANDARDS:

	Yes	No	N/A	Reviewer Comments
55. Cite compliance with GAGAS in report when all applicable requirements are followed, disclose when not followed. (GAS 8.08, 8.30-8.31)	_____	_____	_____	_____
56. Include a copy of written comments from responsible officials or a summary of written or oral comments. (GAS 8.08, 8.32-8.37)	_____	_____	_____	_____
57. If information is prohibited from public disclosure or excluded from the report due to its confidential or sensitive nature, disclose that certain information has been omitted and the reason for its omission. (GAS 8.08, 8.38-8.42)	_____	_____	_____	_____
58. Submit report to those charged with governance, appropriate officials, and appropriate oversight bodies; document any limitation on report distribution. (GAS 8.43)	_____	_____	_____	_____

J. REVIEW OF AUDIT/ENGAGEMENT DOCUMENTATION

ALGA Peer Review Guide (2008)

GENERAL STANDARDS:	Yes	No	N/A	Reviewer Comments
<u>INDEPENDENCE</u>	_____	_____	_____	_____
1. Audit organization must in fact and appearance be independent. Had P&P to identify and resolve personal impairments. Communicated P&P to staff, monitored compliance, and maintained documentation. (GAS 3.02-3.09).	_____	_____	_____	_____
2. Was free from external impairments. Have P&P for resolving and reporting external impairments. (GAS 3.10-3.11)	_____	_____	_____	_____
3. [<i>Quality Control System Review Only</i>]				
4. [<i>Quality Control System Review Only</i>]				
<u>PROFESSIONAL JUDGMENT</u>				
5. Used professional judgment in planning and performing audits and attestation engagements and in reporting the results. (GAS 3.31, 3.38)	_____	_____	_____	_____
<u>COMPETENCE</u>				
6. Staff assigned possessed adequate professional competence. Assessed skill needs. (GAS 3.40)	_____	_____	_____	_____

GENERAL STANDARDS:

Yes

No

N/A

Reviewer Comments

7. *[Quality Control System Review Only]*

8. Staff assigned to conduct audit or attestation engagement collectively possessed the technical knowledge, skills, and experience necessary. (GAS 3.43)

9. Auditors performing financial audits or attestation engagements were knowledgeable in the relevant principles and standards (e.g. GAAP, SAS, SAS, etc) (GAS 3.44, 3.45)

10. *[Quality Control System Review Only]*

11. *[Quality Control System Review Only]*

12. External specialists assisting in performing GAGAS assignment were qualified. (GAS 3.49)

QUALITY CONTROL

13. *[Quality Control System Review Only]*

14. *[Quality Control System Review Only]*

15. *[Quality Control System Review Only]*

16. *[Quality Control System Review Only]*

**FINANCIAL AND
ATTESTATION
STANDARDS:**

Yes No N/A Reviewer Comments

AICPA STANDARDS¹

17. Follow AICPA standards and similar GAS. (GAS 4.01, 4.02, 4.03, 6.01, 6.02, 6.03, 6.04, 6.10, 6.11)

AUDITOR COMMUNICATION²

18. Communicate understanding of services to be performed, planned testing, level of assurance, and reporting. (GAS 4.05-4.08 and 6.06-6.08)

FOLLOW UP²

19. Follow up on findings from prior audits/engagements. (GAS 4.09, 6.09)

FRAUD, ILLEGAL ACTS, ETC.²

20. Design work to provide reasonable assurance of detecting material financial misstatements, fraud, illegal acts and violations that are significant to audit objectives. (GAS 4.10, 4.11, 4.26-4.28, 6.13)

¹ "No" responses in this area should be listed on the Summary of Exceptions form for the Planning, Supervision or Evidence standards. The review team should determine the applicable standard under review based upon the nature of the exception noted.

² "No" responses in this area should be listed on the Summary of Exceptions form relating to the Planning standards.

**FINANCIAL AND
ATTESTATION
STANDARDS:**

Yes No N/A Reviewer Comments

21. Be alert for indications of material abuse. (GAS 4.12, 4.13, 6.14)

22. Do not interfere with investigations or legal proceedings. (GAS 4.29, 5.17, 6.29)

ELEMENTS OF A FINDING

23. Develop the elements of a finding that are relevant and necessary to achieve audit objectives. (GAS 4.14-4.18, 6.15-6.19)

DOCUMENTATION

24. Adequately document work prior to report issuance. (GAS 4.19-4.22, 6.20-6.23)

25. Establish P&P regarding record retention and requests from outside parties. (4.22-4.24, 6.24-6.26)

REPORTING

26A. Follow AICPA standards for financial audits. (GAS 5.03)

26B. Follow AICPA standards for attestation engagements. (GAS 6.30-6.31)

27. Cite GAS in report, disclose when not followed. (GAS 1.12, 1.13, 5.05-5.06, 6.32)

**FINANCIAL AND
ATTESTATION
STANDARDS:**

	Yes	No	N/A	Reviewer Comments
28. Report on internal control and compliance with laws, regulations, and provisions of contracts or grant agreements. (GAS 5.07-5.09)				
29. Report significant deficiencies in internal control, identifying material weaknesses, fraud, illegal acts, violations and abuse. (GAS 5.10, 5.11, 5.13-5.16, 5.18-5.22, 6.33-6.37, 6.39-6.43)				
30. Advise of information affecting previously issued financial statements, determine potential effects of information, and necessary restatements. (GAS 5.26-5.31)				
31. Report views and plans of responsible officials. (GAS 5.32-5.38, 6.44-6.50)				
32. Report the nature of and requirement for omitted information. (GAS 5.39-5.43, 6.51-6.55)				
33. Submit reports to appropriate officials and make available to public. Document any limitation on report distribution. (GAS 5.44, 6.56)				

**PERFORMANCE
STANDARDS:**

Yes

No

N/A

Reviewer Comments

PLANNING

34. Plan and document work necessary to define audit objectives, scope and methodology such that work provides reasonable assurance that sufficient, appropriate evidence supports conclusions. (GAS 7.06-7.10)

35. To the extent relevant to the audit objectives, planning allows auditors to understand and assess risks related to the:

- Nature of the program and needs of potential users (GAS 7.11a; 7.13)
- Design and implementation of internal controls (GAS 7.11b;7.16)
- Design and implementation of information system controls (GAS 7.11c; 7.24; 7.27)
- Legal and regulatory requirements, contract provisions and/or grant agreements (GAS 7.11d; 7.28)
- Potential for fraud and abuse (GAS 7.11d; 7.30)
- Results of previous audits (GAS 7.11e; 7.36)

PERFORMANCE STANDARDS:

	Yes	No	N/A	Reviewer Comments
36. To the extent relevant to the audit objectives, planning should allow auditors to identify potential criteria and sources of evidence, and evaluate whether to use the work of other auditors or experts (GAS 7.12 a-c; 7.37; 7.39; 7.41)				
37. Determine the type and amount of evidence needed to obtain sufficient, appropriate evidence to address the audit objectives. Evaluate whether internal control or other program weaknesses are the cause when auditors conclude that sufficient, appropriate evidence is not available. (GAS 7.40)				
38. Extend audit procedures when there are indications that fraud or abuse significant to the audit objectives may have occurred; don't interfere with legal proceedings or investigations. (GAS 7.32; 7.34-35)				
39. Assign sufficient number of appropriately skilled staff. Engage specialists when necessary. (GAS 7.12d; 7.44-45)				

PERFORMANCE STANDARDS:

Yes No N/A Reviewer Comments

40. Communicate planned testing and reporting to management, those charged with governance and requestors. Document communications. Follow appropriate requirements if audit is terminated before completed. (GAS 7.12e; 7.46-49)

41. Prepare and update a written audit plan. (GAS 7.12f; 7.50)

SUPERVISION

42. Properly supervise staff. Review work performed and document review of work before issuing the audit report. (GAS 7.52-7.80c)

EVIDENCE

43. Obtain sufficient, appropriate evidence to provide reasonable basis for findings and conclusions. Document assessment that evidence taken as a whole is sufficient and appropriate for addressing audit objectives and supporting findings and conclusions. Apply additional procedures, redefine the audit objectives, or revise the findings and conclusions if necessary based on the assessment. (GAS 7.55-57; 7.68; 7.70, 7.71)

PERFORMANCE STANDARDS:

DOCUMENTATION

44. Prepare and maintain audit documentation related to planning, conducting, and reporting on the audit to support findings, conclusions and recommendations before issuing the report. (GAS 7.77-7.80)

45. Document departures from GAS requirements and the impact on the audit and auditors' conclusions. (GAS 7.81)

46. *[Quality Control System Review Only]*

REPORTING

47. Issue audit report. Make the report available to the public, as allowable under applicable public records laws. (GAS 8.03-8.06)

48. Clearly describe in an unbiased manner the objectives, scope, and methodology, as well as other report requirements. (GAS 8.08-8.13)

49. Present sufficient, appropriate evidence to support the findings and conclusions in relation to audit objectives. (GAS 8.07-8.08, 8.14-8.18)

	Yes	No	N/A	Reviewer Comments
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PERFORMANCE STANDARDS:

	Yes	No	N/A	Reviewer Comments
49. Present sufficient, appropriate evidence to support the findings and conclusions in relation to audit objectives. (GAS 8.07-8.08, 8.14-8.18)				
50. Report scope of work on internal controls and any significant deficiencies found. Refer to separate written communication to officials in audit report. (GAS 8.19- 8.20)				
51. Report likely fraud, illegal acts, significant violations of contracts or grant agreements, or significant abuse. (GAS 8.21-8.23)				
52. Report known or likely fraud, illegal acts, violations of contracts or grant agreements, or abuse to any appropriate outside parties. (GAS 8.24-8.26)				
53. Report conclusions based on objectives and findings. (GAS 8.27)				
54. Recommend actions to correct identified problems and to improve programs and operations. (GAS 8.28-8.29)				

PERFORMANCE STANDARDS:

	Yes	No	N/A	Reviewer Comments
55. Cite compliance with GAGAS in report when all applicable requirements are followed, disclose when not followed. (GAS 8.08, 8.30-8.31)				
56. Include a copy of written comments from responsible officials or a summary of written or oral comments. (GAS 8.08, 8.32-8.37)				
57. If information is prohibited from public disclosure or excluded from the report due to its confidential or sensitive nature, disclose that certain information has been omitted and the reason for its omission. (GAS 8.08, 8.38-8.42)				
58. Submit report to those charged with governance, appropriate officials, and appropriate oversight bodies; document any limitation on report distribution. (GAS 8.43)				

K. SUMMARY OF EXCEPTIONS

ALGA Peer Review Guide (2008)

*Standard Under Review: _____

Audit Organization: _____

Preparer(s): _____

Date: _____

Page: _____ of _____

			Likelihood of Negative Impact on Audit Quality		
Briefly describe EXCEPTION ("No" items in QCS and Engagement Review Forms)	Review Form Item #	Indicate "QCS" or engagement	Not Likely	Fairly Likely	Very Likely

*Independence, Professional Judgment, Competence, Quality Control and Assurance, Planning, Supervision, Evidence, Audit Documentation, or Reporting.

L-1. SUGGESTED REPORT FORMAT - FULL COMPLIANCE

ALGA Peer Review Guide (2008)

(ALGA Letterhead)

(Date)

(Audit Director Name, Title and Address)

Dear (Audit Director Name),

We have completed a peer review of the (Audit Organization) for the period (Review Period). In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the (Audit Organization) internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the (Review Period).

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system. (This sentence is optional and appropriate if a management letter is issued.)

(Report Signed by the Following)

(Team Leader)

(Leader Organization)

(Team Member)

(Member Organization)

(Team Member)

(Member Organization)

L-2. SUGGESTED REPORT FORMAT – SATISFACTORY COMPLIANCE

ALGA Peer Review Guide (2008)

(ALGA Letterhead)

(Date)

(Audit Director Name, Title and Address)

Dear (Audit Director Name),

We have completed a peer review of the (Audit Organization) for the period (Review Period). In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that, except for the deficiencies noted below, the (Audit Organization) internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the (Review Period).

Deficiencies found in your internal quality control system included (Cite/List Deficiencies). These control deficiencies resulted in recurring nonconformance with (Cite/List Standards). We have prepared a separate letter providing details of our findings and recommendations for strengthening your internal quality control system.

(Report Signed by the Following)

(Team Leader)

(Leader Organization)

(Team Member)

(Member Organization)

(Team Member)

(Member Organization)

L-3. SUGGESTED REPORT FORMAT - NONCOMPLIANCE

ALGA Peer Review Guide (2008)

(ALGA Letterhead)

(Date)

(Audit Director Name, Title and Address)

Dear (Audit Director Name),

We have completed a peer review of the (Audit Organization) for the period (Review Period). In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the (Audit Organization) internal quality control system was not suitably designed and was not operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the (Review Period).

We found serious deficiencies in your internal quality control system relating to (Cite/List Deficiencies). These control deficiencies resulted in recurring nonconformance with (Cite/List Standards). We have prepared a separate letter providing details of our findings and recommendations for strengthening your internal quality control system.

(Report Signed by the Following)

(Team Leader)
(Leader Organization)

(Team Member)
(Member Organization)

(Team Member)
(Member Organization)

M. SUGGESTED MANAGEMENT LETTER FORMAT

ALGA Peer Review Guide (2008)

(ALGA Letterhead)

(Date)

(Audit Director Name, Title and Address)

Dear (Audit Director Name),

We have completed a peer review of the (Audit Organization) for the period (Review Period) and issued our report thereon dated (Date of Report). We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- Point 1
- Point 2
- Point 3

¹We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

²We offer the following observations and suggestions to help your organization achieve full compliance with *Government Auditing Standards*:

- Observation 1
Suggestion 1
- Observation 2
Suggestion 2

¹ Use this language for full compliance reports.

² Use this language for satisfactory or noncompliance reports.

- Observation 3

Suggestion 3

We extend our thanks to you, your staff and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,

(Management Letter Signed by the Following)

(Team Leader)
(Leader Organization)

(Team Member)
(Member Organization)

(Team Member)
(Member Organization)



External Quality Control Review

of the
(Name of Audit Organization)

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**
for the period (review period)



O. PEER REVIEW SURVEY
 ALGA Peer Review Guide (2008)

QUESTIONS	YES	NO	N/A
The review objectives were clearly communicated to me.			
The disruption of daily activities was minimized as much as possible during the review.			
My concerns and perspectives were adequately considered during the review.			
Communication of review results and status to me during the review was timely and adequate.			
The review team demonstrated courtesy, professionalism and a constructive approach.			
The review team’s conclusions and opinions were supported.			
The review report and management letter was clearly written and logically organized.			
Report recommendations were constructive and actionable.			
Overall, the review provided “value added” to my operations.			

Overall Feedback:

My perception of the peer review process is MORE or LESS positive as a result of this experience. Please comment.

In what areas would you suggest improvement to the process?

What aspect of the peer review process would you like to see continued?

Additional Comments:

The ALGA Peer Review Committee would like to post copies of peer review reports to the ALGA web site. Does the Peer Review Committee have your permission to post your peer review report, management letter and response to the web site?

Yes No

Overall, your satisfaction with the ALGA Peer Review Process was:

Very Good Good Poor Very Poor

Completed By: _____ **Date:** _____

Audit Agency:

Your feedback helps us to improve the peer review process. Upon completion of the survey, please fax to the ALGA Peer Review Committee Chair. The fax number can be obtained from your Review Coordinator, the ALGA web site or Member Services.