

Yellow Book Explained

2nd Edition

Steven M. Bragg

Table of Contents

Chapter 1 – Yellow Book Overview.....	1
Learning Objectives	1
Introduction.....	1
Background	1
Types of Audit Engagements	2
The Nature of GAGAS Requirements.....	4
Other Professional Standards	4
Stating Compliance with GAGAS	5
Summary	6
Review Questions.....	7
Review Answers	8
Chapter 2 – Ethics, Independence, and Professional Judgment.....	9
Learning Objectives	9
Introduction.....	9
Ethical Principles	9
Independence Standards	10
The Provision of Nonaudit Services.....	13
Independence Documentation	16
Professional Judgment	16
Summary	17
Review Questions.....	18
Review Answers	19
Chapter 3 – Competence.....	21
Learning Objectives	21
Introduction.....	21
Competence	21
Continuing Professional Education.....	22
Summary.....	25
Review Questions.....	26
Review Answers	27
Chapter 4 – Quality Control and Peer Review.....	29
Learning Objectives	29
Introduction.....	29
Quality Control and Assurance.....	29
External Peer Review	31
Summary.....	34
Review Questions.....	35
Review Answers	36
Chapter 5 – Standards for Financial Audits	37
Learning Objectives	37
Introduction.....	37
Additional GAGAS Financial Audit Requirements	37
Materiality	37
Licensing	37
Communications	37
Results of Previous Engagements	37
Investigations.....	37
Noncompliance Issues.....	38
Findings.....	38
Documentation	39
Availability of People and Records	39

Table of Contents

Additional GAGAS Financial Audit Reporting Requirements	39
Compliance with GAGAS	39
Reporting on Internal Control	39
Presenting Findings	40
Reporting Findings to Outside Parties	40
The Views of Responsible Officials	41
Reporting Confidential Information	41
Distributing Reports	41
Summary	42
Review Questions	43
Review Answers	44
Chapter 6 – Standards for Attestation and Review Engagements	45
Learning Objectives	45
Introduction	45
Communications	45
Examination Engagements	45
Materiality	45
Licensing	46
Results of Previous Engagements	46
Investigations	46
Noncompliance Issues	46
Findings	46
Documentation	46
Availability of People and Records	47
GAGAS Compliance	47
Reporting Control Deficiencies	47
Reporting on Noncompliance	47
Presenting Report Findings	47
Presenting Findings to Third Parties	47
The Views of Responsible Officials	48
Reporting Confidential Information	48
Distributing Reports	49
Review Engagements	49
Licensing Requirements	49
Noncompliance Issues	49
GAGAS Compliance	49
Distributing Reports	49
Agreed-Upon Procedures Engagements	50
Licensing Requirements	50
Noncompliance Issues	50
GAGAS Compliance	50
Distributing Reports	50
Reviews of Financial Statements	50
Licensing Requirements	51
Noncompliance Issues	51
GAGAS Compliance	51
Distributing Reports	51
Summary	51
Review Questions	52
Review Answers	53
Chapter 7 – Fieldwork Standards for Performance Audits	55
Learning Objectives	55
Introduction	55
Planning	55
Audit Terminology	55

Table of Contents

Management Assertions	56
Communications	56
Investigations.....	57
Previous Engagements	57
Auditor Assignments	57
The Written Audit Plan	57
Conducting the Engagement.....	58
Program Investigation	58
Internal Control Significance	58
Internal Control Assessment	59
Internal Control Deficiencies	60
Information System Controls	60
Laws and Regulations.....	61
Fraud.....	61
Sources of Evidence	61
The Work of Others.....	61
Supervision.....	62
Evidence.....	62
Assessment of Evidence	64
Findings.....	64
Audit Documentation.....	64
Summary.....	64
Review Questions.....	65
Review Answers	66
Chapter 8 – Reporting Standards for Performance Audits.....	67
Learning Objectives	67
Introduction.....	67
GAGAS Compliance	67
Report Format	67
Report Content	67
Reporting Findings and Recommendations	68
Reporting on Internal Controls	69
Reporting on Noncompliance	69
Reporting on Fraud	69
Reporting to Outside Parties	69
Obtaining the Views of Officials.....	69
Report Distribution	70
Reporting Confidential Information	70
The Discovery of Insufficient Evidence	70
Summary.....	71
Review Questions.....	72
Review Answers	73
Glossary.....	75
Index	77