

Update of Government Auditing Standards' Quality Control Standards

Background

GAO is proposing to update the quality control section of *Chapter 5: Quality Control and Peer Review*, in *Government Auditing Standards: 2018 Revision, Technical Update April 2021* (GAGAS). Since December 2020, both the [American Institute of Certified Public Accountants' Auditing Standards Board](#) (ASB) and the [International Auditing and Assurance Standards Board](#) (IAASB) have updated their respective quality management standards. GAO is considering aligning GAGAS *Chapter 5: Quality Control and Peer Review* with the ASB's standards while considering the implications and potential impact of ASB's standards on governmental audit organizations and GAGAS engagements, including performance audits. GAO has performed extensive analyses of ASB's and IAASB's quality management standards and considered the potential impact on extant GAGAS.

A system of quality management is a system designed, implemented, and operated by an audit organization to provide reasonable assurance that the audit organization and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements and perform and report on engagements in accordance with such standards and requirements. Under the ASB and IAASB quality management standards, audit organization would replace their current system of quality control with a system of quality management. This entails transitioning from policies and procedures that address standalone elements of a system of quality control to an integrated and iterative risk-based approach in a comprehensive system of quality management. With a system of quality management, there is also an increased emphasis on continuous remediation and improvement. A system of quality management includes eight components:

1. A risk assessment process (new compared to GAGAS extant)
2. Governance and leadership
3. Relevant ethical requirements
4. Acceptance and continuance of client relationships and specific engagements
5. Engagement performance
6. Resources
7. Information and communication (new compared to GAGAS extant)
8. The monitoring and remediation process

GAGAS incorporates by reference the ASB's Statements on Auditing Standards and Statements on Standards for Attestation Engagements. GAGAS does not incorporate by reference ASB or IAASB quality management standards.

The objective of the update is to enhance GAGAS engagement quality and help ensure consistency in practice for the range of auditors who perform GAGAS engagements. To help identify approaches for the update, we request the counsel of the Advisory Council on Government Auditing Standards

Scope

We plan to update *Chapter 5: Quality Control and Peer Review* and make related conforming edits to other sections and chapters. We may also develop guidance to address other technical matters, such as the ASB's Key Audit Matters for financial statement audits. Counsel from the Comptroller General's Advisory Council on Government Auditing Standards and responses from the broader audit community will inform the timing and issuance of an exposure draft and final GAGAS revision.