GAGAS Requirements for Reporting on Financial Audits
Proposed Application Guidance for Key Audit Matters Paragraph 6.39
Attachment I

Reporting the Auditors’ Compliance with GAGAS

Requirement: Reporting the Auditors’ Compliance with GAGAS

6.36 When auditors comply with all applicable GAGAS requirements, they should include a statement in the audit report that they conducted the audit in accordance with GAGAS.

Application Guidance: Reporting the Auditors’ Compliance with GAGAS

6.37 Because GAGAS incorporates by reference the AICPA’s financial audit standards, GAGAS does not require auditors to cite compliance with AICPA standards when citing compliance with GAGAS. GAGAS does not prohibit auditors from issuing a separate report conforming only to therequirements of the AICPA or other standards.¹

6.38 When disclaiming an opinion on a financial audit, auditors may revise the statement that the auditor was engaged to audit the financial statements.² For example, auditors may state that they were engaged to conduct the audit in accordance with GAGAS or that the auditors’ work was conducted in accordance with GAGAS, depending on whether the use of GAGAS is required or voluntary. Determining how to revise this statement is a matter of professional judgment.

6.39 Although there is no requirement to communicate key audit matters, auditors may be required to communicate key audit matters for audits of government entities and entities that receive government financial assistance if (1) engaged to do so by management or those charged with governance, or (2) required by law or regulation.³ For a government entity, those charged with governance refers to those who have the responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the entity’s financial reporting process. This may include, for example, members of a board or commission, an audit committee, or senior executives and financial managers responsible for the entity.

² See AU-C section 705, Modifications to the Opinion in the Independent Auditor's Report (AICPA, Professional Standards)
³ See AU-C section 701, Communicating Key Audit Matters in the Independent Auditor's Report (AICPA, Professional Standards).