

**AUDIT STANDARDS****20040**

(Revised 09/13)

Various organizations promulgate audit standards for auditors to follow. Standards are designed to enhance the quality and consistency of audits and audit reports. GC 13886.5 specifies that all state agencies that have their own internal auditors or that conduct internal audit activities shall conduct internal audit activity under the general and specified standards of internal auditing prescribed by the Institute of Internal Auditors or the Government Auditing Standards issued by the Comptroller General of the United States, as appropriate.

**Internal Audit Standards**

The Institute of Internal Auditors promulgates standards and guidelines for internal auditors in a publication titled the *International Standards for the Professional Practice of Internal Auditing* (ISPPIA). These standards are designed for all types of internal audits.

The ISPPIA cover independence, professional proficiency, scope of work, performance of audit work, and management of the internal audit organization. However, management must ensure that an internal audit organization is independent of the activities and programs it audits.

**Government Auditing Standards**

The United States Government Accountability Office has developed *Government Auditing Standards* (GAS) for all types of governmental audits. *Government Auditing Standards*, a publication by the Comptroller General of the United States and often referred to as the “Yellow Book,” explains the standards.

Various federal laws and regulations, such as the Single Audit Act of 1984, the Single Audit Act Amendment of 1996, and OMB Circular A-133, require that governmental and non-governmental auditors of state and local governments and various other federal funds recipients follow GAS when auditing federal funds in order for the audit results to be accepted by the federal government.

**Generally Accepted Auditing Standards**

The American Institute of Certified Public Accountants (AICPA) requires adherence to Generally Accepted Auditing Standards (GAAS) for external audits of financial statements as codified in GAAS and in interpretations of those standards. Statements on Standards for Attestation Engagements supplement these standards. Together, these standards provide a general framework and guidelines when performing various audits from an external audit perspective.

**Quality Assurance Reviews**

Consistent with GC 13071, Finance may perform quality assurance reviews of the state’s internal audit units to determine their compliance with appropriate audit standards. The reviews result in reports containing an opinion that the internal audit unit either fully complies, adequately complies, or does not comply with the required standards.