

General Information – 2007 Engagement Checklists and Practice Aids

PDF Format

The 2007 peer review documents are in PDF form format. The PDF version allows users to easily complete the checklists, eliminates formatting issues, allows users to save and print, and does not require the purchase of additional software. The latest version of Adobe Reader is available for free at <http://www.adobe.com/products/acrobat/readstep2.html>.

New Auditing Standards included in 2007 Engagement Checklists

The following new auditing standards have been incorporated into the 2007 audit checklists:

- SAS No. 104, Amendment to Statement on Auditing Standards No. 1, *Codification of Auditing Standards* (“Due Professional Care in the Performance of Work”)
- SAS No. 105, Amendment to Statement on Auditing Standards No. 95, *Generally Accepted Auditing Standards*
- SAS No. 106, *Audit Evidence*
- SAS No. 107, *Audit Risk and Materiality in Conducting an Audit*
- SAS No. 108, *Planning and Supervision*
- SAS No. 109, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatements*
- SAS No. 110, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*
- SAS No. 111, Amendment to Statement on Auditing Standards No. 39, *Audit Sampling*
- SAS No. 112, *Communicating Internal Control Related Matters Identified in an Audit*

SAS No. 104—SAS No. 111 relate to the assessment of risk in an audit of financial statements. These Statements establish standards and provide guidance concerning the auditor’s assessment of the risks of material misstatement (whether caused by error or fraud) in a financial statement audit, and the design and performance of audit procedures whose nature, timing, and extent are responsive to the assessed risks. The statements are effective for audits of financial statements for **periods beginning on or after December 15, 2006**. Since early adoption is permitted we have included them in these checklists.

SAS No. 112 replaces SAS No. 60, *Communication of Internal Control Related Matters Noted in an Audit*. This Statement establishes standards and provides guidance on communicating matters related to an entity’s internal control over financial reporting identified in an audit of financial statements. It is applicable whenever an auditor expresses an opinion on financial statements (including a disclaimer of opinion). This statement is effective for audits of financial statements for **periods ending on or after December 15, 2006**.

Reviewers should be aware of which Statements are applicable to their clients and if early implementation related to SAS No. 104—SAS No. 111 has been adopted by the reviewed firm. New questions have been included in the 2007 audit checklists for all the Statements listed above. The new Statements are only applicable to audits and are not applicable to engagements performed in accordance with the Statements on Standards for Attestation Engagements or the Statements on Standards for Accounting and Review Services, except where specific sections have been updated to reflect conforming changes due to the issuance of the new Statements.

Revision to Government Auditing Standards

On February 1, 2007, the Comptroller General of the United States issued the 2007 revision of *Government Auditing Standards*, which supersedes the 2003 revision. The effective date for the 2007 revision of *Government Auditing Standards* is for financial audits and attestation engagements for periods beginning on or after January 1, 2008, and for performance audits beginning on or after January 1, 2008. Early implementation is permissible and encouraged. Until the 2007 GAGAS revisions become effective, auditors should adopt the terminology and definitions in SAS No. 112, *Communicating Internal Control*

Related Matters Identified in an Audit, when reporting on internal control deficiencies and include in their reports material weaknesses and other significant deficiencies in order to promote consistency in communicating and reporting on internal control deficiencies. Updated Yellow Book report illustrations that reflect the new SAS No. 112 terminology and definitions have been posted on the GAQC website (<http://gaqc.aicpa.org>). The questions in the 2007 checklists have been derived from the financial audit provisions of *Government Auditing Standards* (Yellow Book) 2003 Revision, not the 2007 Revision. If a firm has early implemented, the reviewer should refer to the 2007 revision and adapt the checklists as necessary.

Change to “Working Paper Areas”

The “Working Paper Areas” section of some checklists (20,400, 20,500, 20,600, 20,010, 22,060, and 22,070) were updated to include a checkbox for “**not** a significant audit area” so that reviewers can jump to the next section without having to check “N/A” by questions in insignificant areas. The previous versions of these checklists included a checkbox for a “significant audit area” so reviewers should be aware of this change.

Change to Report Review Checklist

The “General Procedures” section of the Report Reviews—Compilations That Omit Substantially All Disclosures Checklist (24,200) has been significantly reduced and includes questions relevant to this level of service.

Format Changes to Checklists and Practice Aids

Many of the checklists and practice aids have been rearranged so that the flow throughout a particular checklist or practice aid and consistency between all the checklists is in a more user-friendly format for reviewers. Much of the content is still the same but the questions may be located on different pages or in different sections in the 2007 versions.

Explanation of “No” Answers and Other Comments Section of Engagement Checklists

Due to the new formatting in PDF, this page had to be set differently in order to function more easily for the reviewers. As such, blocks of three lines have been grouped together so the text will wrap from one line to the next and the reviewer can easily tab to the next section. Note if more than three lines are needed for explanatory comments, the reviewer should tab to the next section of three lines and continue typing there. The text will stop wrapping after three lines and you will lose anything you type thereafter unless you move to the next section. As all the checklists are not the same, the last section of lines grouped together may differ from three to four lines depending on the total number of lines included in this section.

Additional Documentation

As with the previous checklists in MS Word, if additional documentation is necessary for any checklist or practice aid item, the reviewer should attach separate pages, with the additional documentation, to the checklist or practice aid.

Digital Signature

The checklists and practice aids in PDF format allow the documents to be digitally signed. A digital signature, like a conventional handwritten signature, identifies the person signing a document. Documents must be saved in order to be signed by a user. Signatures will appear with a question mark and their validation status will be “unknown” until a user adds the signer to their “trusted identities” list. Any user unfamiliar with this process can search Help for “validate signature” and receive further information and instruction. The documents can still be printed and signed manually, as well. ***Note: peer review documents will still be accepted even if the digital signature has not been validated.***

Dating of the Peer Review Manual

The documents which were updated in the current year are dated as of April 2007 (4/07). Note there are several practice aids that did not have any changes in the current year and therefore have retained the same dates as the previous manual. Due to the process in previous years where certain pages were updated and inserted in the manual separately, some pages within the same document may be dated differently. Going forward, the entire document will be updated with the same date on all pages when any change is made.