

Special Forms of Reporting

*Central Florida GFOA
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Course Objectives

- ▶ Discuss various forms of reporting that may apply to different situations
- ▶ Discuss assurance levels provided with various types of reports
- ▶ Discuss practical applications of reporting

Applicable Standards for Services

A. AICPA

1) GAAS

- a. Financial Statements in accordance with GAAP
- b. Special Reports

2) Attestation

- a. Examination
- b. Review
- c. Agreed upon procedures

3) Consulting

B. GAO Government Auditing Standards

1) Financial

2) Attestation

3) Performance

GAAS traditional reporting on financial statements prepared in accordance with GAAP

Reporting on an entity's financial statements.

- Generally the full set of financial statements for an annual audit of an entity
- May be limited to one financial statement, such as balance sheet only
- May be limited to a fund, agency, department or program
- Cannot be piecemeal opinion on items if disclaimer or adverse opinion on financial statements taken as a whole

Types of Special Forms of Reporting

GAAS Special Reports

- Generally related to audits of financial statements or elements thereof

Attestations

- Reporting on specific subject matter; examinations (positive assurance), reviews (negative assurance) and agreed-upon procedures (procedures and related findings)

Types of Special Forms of Reporting – continued

Attestations - continued

- Can be in accordance with Government Auditing Standards
- May be for general use or restricted use
- New clarity standard revisions forthcoming for attestation standards

Consulting engagements

- To provide advice or recommendations on a certain matter, which may include a written report

GAAS Special Audit Reports—examples

- Section 805 reports on financial information
 - Financial statements or data presented to comply with contractual or regulatory provisions, such as county constitutional officer or county funded court cost reports (opinion provided)
- Section 806 reports on compliance
 - Compliance reports in connection with an audit of financial statements, such as bond covenant reports and Yellow Book compliance reports (negative assurance)

Special Audit Reports – examples

- Section 265 reports on internal control
 - In connection with an audit of financial statements, such as Yellow Book internal control report (no opinion)
- Section 935 reports on compliance
 - When Yellow Book applies and compliance opinion is required, such as OMB Circular A-133 report (opinion provided)

Special Audit Reports and Attest Examinations

- Often positive assurance is provided mistakenly in practice
- A special report uses the term “audited”, rather than the term “examined”, applied to attestations. A special report is a report of an independent auditor whereas an attestation is not an audit so it is a report of independent accountant
- Special reports require a restricted use or purpose paragraph; attestations may require restricted use
- Regulator prescribed formats often do not conform to required report language; must be tailored

Attestation Reports

- Attestation standards are separate and distinct from general accepted auditing standards
- There are seventeen attestation standards
- Applied when providing assurance on representations other than on historical financial statements
- Applicable to an examination report that provides positive assurance, a review report that provides negative assurance and agreed-upon procedures on subject matter

Attestation Reports – continued

- May be in accordance with *Government Auditing Standards* as well as attestation standards)
- Typical application on subject matter not derived from financial statements
- Separate standards applicable to agreed-upon procedures engagements, financial forecasts and projections, reporting on pro forma financial information, reporting on internal control or compliance attestations and reporting on service organization controls

Attestation Reports – continued

- Examples of Attestation Reports include:
 - Reports on statistical data
 - Reports on subject matter, such as work performed by others, compliance matters or physical counts
 - Information systems reviews of service organization controls
 - Specific procedures agreed-upon, such as comparison of documents, recalculation, confirmation of information and inspection of items

AICPA Consulting Engagements and GAO Performance Audits

- Objectives

- Provide an independent assessment of the performance
- Provide an independent assessment of the management of a program
- Provide information to improve program operations
- Facilitate decision making
- Improve public accountability

Consulting Engagements and GAO Performance Audits

- ▶ Provided to assess
 - program effectiveness and results
 - economy and efficiency
 - internal control
 - compliance with legal requirements
 - analyses and other information

Consulting Engagements and GAO Performance Audits

- ▶ AICPA Consulting Standards are quite broad and flexible; GAO performance audit standards are more defined and structured
- ▶ Performance audit is often a loosely used term that is provided under consulting standards, internal audit standards or *Government Auditing Standards*
- ▶ No opinion provided

GAO Performance Audit General Standards

- ▶ Professional judgment
 - Reasonable care and diligence
 - Objective, independent, integrity
- ▶ Competence
 - Adequate staffing
 - Training
- ▶ Quality control and assurance
 - Peer review every three years
 - Policies and procedures

GAO Performance Audit Fieldwork Standards

- ▶ Work is to be adequately planned
 - Understand the program
 - Consider internal controls
 - Design the audit
- ▶ Supervision is to be documented
- ▶ Evidence should be sufficient, competent and relevant
 - Findings should include the condition, effect, cause and criteria

GAO Performance Audit Fieldwork Standards

- ▶ Performance audit documentation should be sufficient to enable an experienced auditor, who has no previous connection to the audit, to ascertain that evidence supports the auditors judgments and conclusions

GAO Performance Audit Reporting Standards

- ▶ Audit reports should include the objectives, scope and methodology used
- ▶ Audit reports should include findings, conclusions and recommendations
- ▶ Audit reports should reference GAGAS and include views of responsible officials
- ▶ Audit reports should include the nature of any privileged and confidential information omitted

GAO Performance Audit Reporting Standards

- ▶ Audit objectives, scope and methodology
 - Identify the audit subject, why the audit is performed, the depth of audit work performed, the period covered, the organizational unit audited, any limitations or scope impairments, the relationships between samples and what was audited and how audit objectives were accomplished
 - Report findings, conclusions and recommendations, including criteria, condition, cause and effect

GAO Performance Audit Reporting Standards

- Views of responsible officials are normally written. If oral, auditors should summarize in writing and provide the summary to officials of the audited entity
- When written views oppose the auditors' findings, the auditors should state the reasons for disagreeing with the written views
- Report should be timely, complete, accurate, objective, convincing, clear and concise



Questions?