



Agenda Item 3E

Q&A: Applicability of AICPA Standards to Performance Audits

Question – An AICPA member is asked to conduct a Performance Audit pursuant to Generally Accepted Government Auditing Standards (GAGAS or Yellow Book). GAGAS is promulgated by the United States Government Accountability Office (GAO). The Yellow Book contains separate standards for financial statement audits, attestation engagements and performance audits. The Yellow Book distinguishes a performance audit from a financial statement audit and attestation engagements. In promulgating its financial statement and attestation standards, the GAO incorporates by reference all or some of the AICPA’s auditing and attestation standards. There are no AICPA standards incorporated into the GAO’s performance audit standard.

Because Section 1.130.001 of the AICPA’s Code of Professional Conduct states:

A member who performs auditing, review, compilation, management consulting, tax, or other professional services shall comply with standards promulgated by bodies designated by Council

and because GAO is not a body designated by Council, is an AICPA member required to follow the AICPA’s auditing, attestation or consulting standards when conducting a performance audit pursuant to the Yellow Book?

Answer – An AICPA member is required to follow the AICPA’s Code of Professional Conduct in performance of their professional responsibilities. Additionally, a member is required to follow those specific professional standards issued by the AICPA when such standards apply to the service being performed.

The Statements on Auditing Standards (SASs) apply when a member is engaged to audit or does audit financial statements of a nonissuer. Since a performance audit is not an audit of financial statements or other subject matter covered by the SASs, the SASs do not apply.

The Statements on Standard for Attestation Engagements (SSAEs) apply when a member is engaged to issue or does issue an examination, a review, or an agreed-upon procedures report on subject matter, or an assertion about the subject matter. In an attestation examination, a member’s conclusion should be expressed in the form of an opinion as to whether (a) the subject matter is based on (or in conformity with) the criteria in all material respects or (b) the assertion is presented (or fairly stated), in all material respects, based on the criteria. Although a performance audit could be viewed as a type of examination, the reporting objectives in a performance audit are different from those of an attestation examination since there is no requirement in a performance audit to form an opinion. Because of the differences in the reporting objectives and because in a performance audit there is no requirement for an assertion, GAO has distinguished a performance audit from an attestation engagement. Additionally, GAO has not incorporated the AICPA’s attestation standards into its performance audit standard. Because of these differences, the AICPA’s SSAEs would not apply unless a member, who was engaged to conduct a

performance audit, was also engaged to conduct an AICPA attestation examination or the member issued a performance audit report that purports to be in accordance with the SSAEs.

The AICPA's Statement on Standards for Consulting Services (SSCS) applies when a member provides consulting services as defined within SSCS. Consulting services differ fundamentally from an audit, attestation engagement or performance audit. In a consulting service, a member develops findings, conclusions, and recommendations. Although the reporting objectives of a consulting and performance audit may be similar, the nature and scope of a consulting service is determined solely by the agreement between the member and the client, without any regard to the member being independent or obtaining reasonable assurance, both characteristics of a performance audit. Therefore, although a member may wish to apply the SSCS in conducting a performance audit, there is no AICPA requirement to do so.

In summary, because the auditing, attestation and consulting standards do not apply to the specific service of conducting a performance audit, a member is not required to follow the SASs, SSAEs nor the SSCS. This, however, does not prohibit an AICPA member from following those standard if a member wishes to do or if such member represents that he is she is following the audit, attestation or consulting standards in the conduct of the performance audit.