

# Generally accepted auditing standards

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Generally Accepted Auditing Standards Introduction Generally accepted auditing standards refer to a set of standards through which the quality of audits is assessed. They are personal and relate to the qualifications of the auditor and the professional care exercised in a particular audit engagement. The standards define who is qualified to perform an audit engagement and the need for adequate technical training and proficiency, which promotes professional care in the engagement of audit. Much emphasis have been placed on auditing standards especially in the 21st century that has been characterized by increased high profile corporate scandals resulting from unregulated auditing. As a result, numerous organizations across the world have adopted auditing standards in production and analysis of their financial statements. Elements of Generally Accepted Audit Standards In the United States, the generally accepted auditing standards were developed by the Auditing Standards Board of American Institute of Certified Public Accountants and contain ten auditing standards (Beasley & Carcello, 2008). The general standards require that the auditor have adequate technical training and expertise to perform audit, maintain an independent mind in all the matters that relate to the audit and exercise professionalism during his analysis and preparation of final report in order to avoid errors or chances of unethical behavior. Regarding the standards of field work, the GAAS auditing standards dictate that the auditor adequately plan and coordinate his work, obtain sufficient information of the organization and its environment, and provide an informed opinion about the financial statements under audit based on appropriately relevant audit evidence. Generally accepted auditing standards also regulate standards of audit reports where the auditor is

expected to report whether the financial statements presented adhere to the generally accepted accounting principles while clearly outlining the instances where such guidelines have not been observed. In addition, the auditor is expected to indicate in the report if informative disclosures are not reasonably adequate and the auditor must further express an opinion regarding the financial statements which should be heavily informed by audit information evidence or give reasons for not expressing an opinion in an event where he fails to provide one. Application of GAAS on Financial, Operational, And Compliance Audit Federal and government regulations play a major role in organizations overall operations and failure to comply to generally accepted auditing standards may result in legal implications for a company. Auditors responsibility in financial statements under the GAAS are outlined in the Statement on Auditing Standards (SAS) no. 54 Illegal acts by clients and no. 82 consideration of fraud by in a financial statement audit. In addition, auditors' compliance is also ensured through the generally accepted government auditing standards (O'Reilly, 1999). Financial auditing, which involves the review of financial statements of a given organization and other legal entity should give rise to an independent and comprehensive report stating whether such statements are accurate, relevant, and appropriately presented. Financial audits are normally conducted by qualified auditors operating in registered auditing firms. While organizations often hire internal auditors to deal with internal controls of the firm, attesting of financial statements is normally done by external auditors who are highly qualified, experienced and is under obligation to adhere to GAAS guidelines. Operations audits serve to evaluate a company's efficiency in regard to

operations activities that relate to specified goals. Standards of field work area of auditing play a particularly key role in operations auditing with high emphasis being placed on auditor's efficiency in providing appropriate reports and making the necessary recommendations that will lead to improvement in the organization. A compliance audit on the other hand determines whether or not a company is adhering to the guidelines in financial and operational activities and demonstrates the company's ability to adhere to GAAS standards. Effects of Sarbanes-Oxley Act of 2002, And PCAOB on Audits of Publicly Traded Companies “ Sarbanes-Oxley Act of 2002 requires companies to have dual purpose audit that audits both financial statements and management's assertion as to whether it has complied with the criteria regarding an adequate system of internal control over financial reporting” (Lindakinyo, 2011 p 1). This act affects how auditors perform their duties by governing the specific procedures that should be followed in analyzing financial statements to develop an appropriate opinion. The act clearly outlines the process through which internal controls are audited and requires such reports to be produced annually in order to assess an organization's ability to produce accurate financial statements. PCAOB currently contains six auditing standards which auditors are expected to comply with as they execute their work. Under PCAOB, auditors must evaluate the consistency of financial statements and identify consistent issues which may significantly impact on the report. In addition to the requirement of consistency, auditors are expected to adhere to other rules such as auditing of internal controls, ensuring that they provide specific documents to support their conclusion as well as ensuring that they report

on previously documented materials. The SOX act also restricts audits firms from providing other services that are not directly linked to auditing.

Conclusion Auditing standards have played a major role in ensuring accuracy and consistency in generation of financial statements within organizations.

Adherence to rules and regulations outlined in GAAS among other regulating bodies has promoted quality of audit and has significantly reduced the number of corporate frauds and business failures emanating from embezzlement and other malpractices prevalent in the corporate world.

Reference List Beasley, M. S., & Carcello, V. J., (2008). GAAS Guide 2009: A Comprehensive Restatement Of Standards For Auditing, Attestation, Compilation, And Review. Chicago: CCH. Lindakinyo, (2011). Generally Accepted Auditing Standards. Retrieved from <http://hubpages.com/hub/Generally-Accepted-Auditing-Standards>

O'Reilly, M. V., (1999). Montgomery's Auditing. New York: John Wiley & Sons.