

External Auditor Financial Statement Audit Review Checklist

* Primary Government Name:	
* Component Name (if CPA audit is of a component, otherwise "N/A"):	
* FYE (CPA's audit period):	
CPA's audit scope:	
*Was the audit conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) or Generally Accepted Auditing Standards (GAAS)?	
* CPA Firm Name:	
*CPA Firm Location (City, State):	
CPA Firm Contact (Name, Phone No):	
* CPA Firm <u>audit</u> cost (estimate from contract / engagement letter is ok):	
* Estimated cost for SAO to perform audit (if unsure work with AAM/AM):	
Reviewer(s):	
* Date Reviewed:	

* Input these fields into the [CPA Contract](#) SharePoint page

Objective: To ensure audit work performed by other auditors meet professional standards (Policy 3510) and document information relevant to SAO audits, such as the accountability, financial statement and/or single audit.

Instructions:

- Reviewers must have experience planning and conducting GAAP financial statement audits, have experience in reviewing other auditors' work, and be approved by the audit manager.
- Any access letters must be uploaded to the [Audit Authorization](#) SharePoint page for the CPA audit coordinator, or team's Assistant Director, if needed, to sign. A copy of the signed access letter must be included in the team's audit documentation.
- Be sure the CPA firm provides all audit documentation - some firms may initially deny access to administration and planning files, which are critical when reviewing the work.
- Time spent on the review should be charged to project code "CPAP", unless otherwise determined with the CPA Coordinator.
- If any concerns are noted, immediately contact your supervisor and Assistant Director and ensure any areas of concern are resolved timely and documented.
- Input the * fields above into the [CPA Contract](#) SharePoint page.
- Include a copy of the audit report and the completed CPA review checklist in the audit documentation.
- **Document information that might affect risks for other audits, this includes areas of risk not addressed in the other audit and those areas that have addressed risk and we can use to leverage**

work in the other audits. Such as, debt issuance, contracts, implementation of new systems, payroll, utility adjustments, AR adjustments, etc.

Note: If copies of the CPA firm's workpapers are obtained, please annotate each with the following: "**Access Letter Requires Authorization before disclosure.**" [hyperlink to access letter]

Professional Reputation – AU-C 600			WP reference
1	Go to the CPA License & Peer Review Information page to determine whether the firm has a license to practice in Washington state and whether there are complaints, investigations or disciplinary actions against them.		
2	Go to the CPA License & Peer Review Information page to review the firm's latest peer review report for any issues to consider when reviewing the work.		
3	If we noted above that the audit was not conducted in accordance with <i>Generally Accepted Government Auditing Standards</i> (Yellow Book) and a single audit is required, request the entity to obtain a Yellow Book audit by the CPA firm. If the CPA firm is unable or unwilling to conduct the single audit, our Office must perform the additional Yellow Book audit procedures and re-issue the financial report.		
Engagement Letter and Independence – AU-C 200 , 210 and 600			WP Ref
4	Review the engagement letter to ensure it describes the services to be performed, management's responsibilities, auditor's responsibilities and limitations of the engagement among other required items [AU-C 210.09-10]. List any "other services" to be performed, such as consulting.		
5	Ensure the firm is independent. This may be done by reviewing planning procedures, reviewing the engagement letter, inquiry with the firm and entity, and/or by reviewing expense reports. If the firm also provided non-audit services, document the auditors' rationale for concluding independence was not impaired. Forward supporting documentation to the Assistant Director of Quality Assurance for review <u>only</u> if you conclude independence is impaired.		
Planning – AU-C 315			WP Ref
6	Was an understanding documented of the entity's operations and environment? [AU-C 315.12]		

7	Did risk assessment procedures include planning analytical procedures for each opinion unit and inquiry of management? [AU-C 315.06]		
8	Did the auditor consider results of previous financial audits, attestation engagements, performance audits, or other studies directly related to the audit objectives, such as relevant SAO audits? [GAGAS 4.05]		
9	Did the auditor correctly identify any relevant licensing or regulatory authorities and inspect the entity's correspondence with them? If so, list authorities identified [AU-C 250.14]		
10	Did the auditor identify any material amounts or disclosures where compliance with laws, contracts and grant agreements has a direct effect? If so, list material compliance requirements identified. [AU-C 250.13, GAGAS 4.06]		
11	Was there a discussion among the audit team on risks of material misstatement due to error or fraud? Documentation must include when discussion occurred, who participated and decisions reached. [AU-C 315.11, 33a]		
12	List any "significant risks" identified. [AU-C 315.28]		
Controls – AU-C 315 and 330			WP Ref
13	Was an understanding documented of the entity's key internal controls over financial reporting? [AU-C 315.13]		
14	Did the documented understanding of controls address all five COSO elements? [AU-C 315.15-25]		
15	Were key controls confirmed to be in place using more than just inquiry? [AU-C 315.14]		
16	Were key controls tested (including tests of general IT controls, if any key controls were automated) if the auditor's risk assessment includes an expectation of the operating effectiveness of controls (i.e. control risk was assessed at less than Max)? [AU-C 330.08]		
17	<p>If the auditor relied on prior control testing, were:</p> <ul style="list-style-type: none"> • Key controls not related to a significant risk; • Key controls the same as when they were last tested; • Key controls tested within the last 2 periods; • At least some controls (i.e. one system) tested in the current period. [AU-C 330.13-14] 		

18	Was risk of material misstatement assessed at the relevant assertion level? Note: the auditor may document separate assessments of inherent risk and control risk or a combined assessment of the risk of material misstatement. [AU-C 315.26, 330.07]		
Materiality, Performance Materiality (Tolerable Misstatement) and Floors – AU-C 320			WP Ref
19	List the final materiality, performance materiality (tolerable misstatement) and floor levels used by the CPA. Are these levels acceptable? [AU-C 320.10-14]		
Substantive Tests – AU-C 330			WP Ref
20	Were sufficient tests of details performed to specifically address significant risks, if any? [refer to question 12, AU-C 330.22]		
21	Were sufficient tests performed to determine compliance with requirements that have a direct and material effect on financial statements? [refer to question 10, AU-C 250.13, GAGAS 4.06]		
22	Did the auditor agree the financial statements and notes to the underlying accounting records and review material adjusting journal entries? [AU-C 330.21]		
23	Were sufficient substantive procedures performed to respond to all assessed risks of material misstatement identified at the assertion level? [AU-C 330.06]		
24	Were sufficient substantive procedures performed to evaluate overall presentation and disclosure? [AU-C 330.26]		
25	Are we aware of any known or likely misstatements the auditor missed (inaccurate amounts, lack of disclosure of related party transactions, etc)? If so, list and describe.		
Group Audits – AU-C 600			WP Ref
26	Were components appropriately identified and significance assessed? [AU-C 600.20-21]		

27	<p>Was criteria met and procedures performed for any component auditor referenced in the report (relying on work)? [AU-C 600]</p> <ul style="list-style-type: none"> • Independence [22] • Communication with other CPA [22, 41] • Materiality, overall risks, consolidation, subsequent events and sufficiency of overall evidence and communication considered [32-40, 43-49] • Audit performed under standards on compatible basis of accounting [25-26] • Reported results incorporated [27] • Report describes reliance [28] 		
28	<p>Was criteria met and procedures performed for any component auditor not referenced (taking responsibility for work)? [AU-C 600]</p> <ul style="list-style-type: none"> • All steps required in 23 above • Involvement in the work [51-59] • Additional communication with other CPAs to coordinate involvement [60-61] • Report does not reference other CPAs 		
Litigation, Claims, and Assessments – AU-C 501.16-24			WP Ref
29	<p>If an attorney letter was not obtained (which should occur only if procedures indicate no actual or potential litigation, claims or assessments exist that may give rise to a risk of material misstatement), was the basis for this decision documented? [AU-C 501.18-20]</p>		
Subsequent Events – AU-C 560			WP Ref
30	<p>Were procedures performed, including a review of minutes, as nearly as practicable up to the date of the audit report to identify any subsequent events? [AU-C 560.09-10]</p>		
Related Parties – AU-C 550			WP Ref
31	<p>Did the auditor obtain an understanding of related party relationships and transactions and include in the audit documentation the names of the identified related parties and the nature of the related party relationships? [AU-C 550.28]</p>		
32	<p>List all related parties identified by the auditor. [AU-C 550.14]</p>		
Going Concern – AU-C 570			WP Ref
33	<p>What was the CPA's documented conclusion regarding the entity's ability to continue as a going concern? [AU-C 570.03]</p>		
Misstatements – AU-C 450			WP Ref

34	Were all non-trivial misstatements documented and communicated to management? [AU-C 450.07] If any, list and describe.		
35	Were all <i>uncorrected</i> misstatements appropriately aggregated and evaluated by opinion unit? [AU-C 450.11] If any, list and describe.		
36	Were all material <i>corrected</i> and non-trivial <i>uncorrected</i> misstatements communicated to the governing body (or audit committee, if applicable)? [AU-C 260.13-14] If any, list and describe.		
Management Representation Letter – AU-C 580			WP Ref
37	Was a management representation letter obtained that included all required representations for all periods covered in the audit report and was dated as of the date of the audit report? [AU-C 580.19-20]		
Audit Report and Communications – AU-C 240, 250, 260, 265, 700, 705, 706 and 708			WP Ref
38	Obtain a copy of the auditor's report for your workpapers. What is report date(s)?		
39	Is the auditor's report restricted as to use?		
40	What basis of accounting are the financial statements prepared on?		
41	Does the report include any modifications from a standard unqualified opinion, such as qualifications, emphasis-of-a-matter or other-matter paragraphs? If so, list and describe these modifications.		
42	Did you notice any audit report issues or errors? For example, opinion unit language missing or schedules included in the statements but not referenced in the report.		
43	If the audit identifies evidence that fraud, noncompliance or abuse may have occurred, did the auditor communicate these matters to those charged with governance? [AU-C 240.40-41, AU-C 250.21, GAGAS 4.06 and 4.08] If so, obtain a copy of the auditor's communication.		
44	If the audit identifies fraud or noncompliance, did the auditor consider the impact on their audit report? [AU-C 240.35-37 and 250.18-20]		
45	Were significant audit results communicated to the governing body? [AU-C 260.12]		

46	Obtain a copy of the report on any significant deficiencies or material weaknesses. [AU-C 265.11] <i>If the audit was performed in accordance with GAAS, but not GAGAS, this will be in a written communication to management rather than as a finding in audit report.</i>		
47	Obtain a copy of the auditor's communication of any recommendations other than required items noted above [AU-C 260.A39, GAS 4.26]		
Review Conclusions for <u>all</u> situations (CPA performs part <u>or</u> entire financial audit)			WP Ref
48	Were there any other concerns about audit work or documentation not addressed above? If so, describe concerns and how they were resolved.		
49	Was the audit work and documentation sufficient to allow our Office to rely on the CPA's work? <i>If we cannot rely on the CPA's work or otherwise need to perform further procedures, contact your supervisor and Assistant Director for assistance.</i>		
50	Areas addressed: Are there any areas tested by the CPA that leverage potential risks in our Accountability, Financial or other audits (summarize here if already noted in other questions)?		
51	Areas to consider: Are there any issues or red flags that should be considered for follow-up in our Accountability, Financial or other audits (summarize here if already noted in other questions)?		
52	List any meetings between the CPA firm and the entity that were attended by SAO, such as entrance and exit conferences or audit status meetings. If the other CPA performed the entire audit instead of just a portion (i.e. component unit), approval must be requested from the Assistant Director to not attend any of these meetings.		
Additional Review Conclusions when CPA performs only a <u>part</u> of the financial statement audit of the primary government – AU-C 600			
53	Does any work on the component related to significant risks or related parties change our risk assessment for the primary government?		
54	Add uncorrected misstatements identified by the component auditor to our aggregation of misstatements for the primary government.		

55	Document effect of any findings or report modifications on our report and communication for the primary government.		
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