

Current ASB project pipeline

2024 Yellow Book implementation

Practical effects for CPA firms and governmental audits

EXECUTIVE HIGHLIGHTS

- Conference-ready briefing
- ASB roadmap + GAO Yellow Book
- Focus: what changes in audit work

Practical meaning: Conference-ready briefing

Identify active ASB projects and expected practice effects
Explain Yellow Book quality management changes
Translate standards activity into firm-level action steps

EXECUTIVE HIGHLIGHTS

- Standards pipeline
- Practice impact
- Action roadmap

Practical meaning: Standards pipeline

Audit expectations are moving toward deeper documentation

Technology is changing evidence and risk assessment

Government audits face a new Yellow Book implementation cycle

EXECUTIVE HIGHLIGHTS

- More scrutiny
- More documentation
- More technology judgment

Practical meaning: More scrutiny

Fraud expectations remain high after public failures
Peer review increasingly focuses on documentation quality
Government audit users expect clearer accountability

EXECUTIVE HIGHLIGHTS

- Fraud pressure rising
- Quality files matter
- Users want clearer conclusions

Practical meaning: Fraud pressure rising

Maintain relevance in a changing environment
Develop high-quality standards in the public interest
Support implementation and application of standards

EXECUTIVE HIGHLIGHTS

- Public-interest lens
- Technology-ready standards
- Implementation support is central

Practical meaning: Public-interest lens

Fraud standard update
External confirmations initiative
Attestation and sustainability assurance
Going concern assessment
Technology-enabled audit guidance

EXECUTIVE HIGHLIGHTS

- Fraud is headline project
- Confirmations are being modernized
- AI and analytics are on the radar

Practical meaning: Fraud is headline project

Expected to clarify auditor responsibilities when fraud or suspected fraud is identified

Focuses on stronger links between fraud risks and audit response

Raises documentation expectations around fraud judgments

EXECUTIVE HIGHLIGHTS

- Biggest ASB project
- Fraud work becomes more explicit
- Expect more file review questions

Practical meaning: Biggest ASB project

Public expectations often exceed what auditors believe
GAAS requires

Fraud failures create reputational damage beyond the client

A stronger standard may narrow the expectation gap

EXECUTIVE HIGHLIGHTS

- Expectation gap pressure
- Skepticism must be visible
- Fraud logic needs a paper trail

Practical meaning: Expectation gap pressure

Move beyond generic fraud-risk checklists

Consider incentives, pressures, opportunities, and rationalization

Tie fraud risks to specific accounts, assertions, and disclosures

EXECUTIVE HIGHLIGHTS

- No boilerplate fraud risks
- Map risks to assertions
- Document fraud rationale

Practical meaning: No boilerplate fraud risks

Challenge management explanations when evidence conflicts

Look for corroboration rather than comfort

Resolve contradictory information before concluding

EXECUTIVE HIGHLIGHTS

- Question neat stories
- Corroborate key claims
- Contradictions need closure

Practical meaning: Question neat stories

Use risk-based criteria to identify unusual entries

Focus on users, timing, descriptions, and approval patterns

Investigate entries inconsistent with normal business processes

EXECUTIVE HIGHLIGHTS

- Risk-based filters matter
- Timing can reveal override
- Round numbers deserve attention

Practical meaning: Risk-based filters matter

Review estimates for bias
Examine significant unusual transactions
Understand manual adjustments outside normal processing
Evaluate controls that can be bypassed

EXECUTIVE HIGHLIGHTS

- Override is always relevant
- Estimate bias is evidence
- Unusual transactions need depth

Practical meaning: Override is always relevant

Engagement team discussion should be tailored to the client

Include prior-year issues, industry risks, and changes in operations

Capture how brainstorming influenced audit procedures

EXECUTIVE HIGHLIGHTS

- Make the meeting specific
- Include client changes
- Show how it changed testing

Practical meaning: Make the meeting specific

Document the fraud risks considered
Explain responses to identified fraud risks
Record contradictory evidence and resolution
Avoid unsupported low-risk conclusions

EXECUTIVE HIGHLIGHTS

- Fraud conclusions need support
- Silence looks like no work
- Reviewer-proof the logic

Practical meaning: Fraud conclusions need support

Small entities may have fewer formal controls
Owner-manager override risk can be higher
Alternative procedures may need to be more creative
Documentation cannot be smaller just because the client is

EXECUTIVE HIGHLIGHTS

- Small client ≠ small risk
- Owner override is real
- Procedures must be tailored

Practical meaning: Small client ≠ small risk

Refresh fraud brainstorming templates
Build better journal-entry filters
Train staff to document skepticism
Add manager review points for fraud-risk linkage

EXECUTIVE HIGHLIGHTS

- Update templates now
- Train on JE analytics
- Review linkage before fieldwork ends

Practical meaning: Update templates now

ASB is considering changes related to confirmation procedures

Focus includes obtaining information from knowledgeable external sources

Modern confirmation risks include digital authenticity and reliability

EXECUTIVE HIGHLIGHTS

- Confirmations are back in focus
- External source quality matters
- Digital process needs controls

Practical meaning: Confirmations are back in focus

Traditional mail-based models do not fit modern systems

Electronic confirmation platforms require control evaluation

Fraud schemes can exploit weak confirmation channels

EXECUTIVE HIGHLIGHTS

- Digital ≠ automatically reliable
- Authentication is key
- Channel control matters

Practical meaning: Digital ≠ automatically reliable

Cash often receives increased confirmation attention
Completeness of banking relationships matters
Unusual restrictions, compensating balances, or debt links should be considered

EXECUTIVE HIGHLIGHTS

- Confirm more than balances
- Look for hidden restrictions
- Bank relationships tell a story

Practical meaning: Confirm more than balances

Confirmations can address existence and rights
Nonresponses require planned alternative procedures
Exceptions should be investigated for root cause, not merely cleared

EXECUTIVE HIGHLIGHTS

- Target risky balances
- Nonresponses need strong follow-up
- Exceptions are clues

Practical meaning: Target risky balances

The file should explain why confirmations were not effective or necessary

Risk assessment must support the decision

Alternative procedures must provide persuasive evidence

EXECUTIVE HIGHLIGHTS

- Non-use needs a reason
- Alternatives must be persuasive
- Low risk alone may not be enough

Practical meaning: Non-use needs a reason

Inspect subsequent cash receipts
Trace to shipping, invoice, and customer documentation
Consider evidence reliability and independence
Evaluate whether procedures address the same assertion

EXECUTIVE HIGHLIGHTS

- Match the assertion
- Evidence source matters
- Receipt testing has limits

Practical meaning: Match the assertion

Document population selection
Track request control and responses
Evaluate exceptions and nonresponses
Conclude on evidence sufficiency

EXECUTIVE HIGHLIGHTS

- Control the request chain
- Track every exception
- Conclude clearly

Practical meaning: Control the request chain

- Review confirmation platform controls
- Create standard documentation for non-use decisions
- Update cash and A/R confirmation planning templates
- Train teams on exception evaluation

EXECUTIVE HIGHLIGHTS

- Vet platforms
- Standardize non-use memos
- Coach exception analysis

Practical meaning: Vet platforms

Quality control is becoming quality management

The model is risk-based and proactive

Leadership responsibility is more explicit

Monitoring and remediation become central

EXECUTIVE HIGHLIGHTS

- From inspection to prevention
- Risk-based quality design
- Leadership owns the system

Practical meaning: From inspection to prevention

Requires firms to design a quality management system
Focuses on quality objectives, risks, and responses
Requires monitoring and remediation
Scalable to firm size and complexity

EXECUTIVE HIGHLIGHTS

- Risk assessment drives quality
- Responses must fit firm risks
- Scalable, not optional

Practical meaning: Risk assessment drives quality

Addresses appointment and eligibility of reviewers

Emphasizes reviewer objectivity and competence

Requires performance and documentation of EQR procedures

Targets engagements where additional review responds to quality risk

EXECUTIVE HIGHLIGHTS

- Reviewer independence matters
- EQR must be timely
- Documentation proves performance

Practical meaning: Reviewer independence matters

Aligns engagement-level quality management with firm-level SQMS

Emphasizes engagement partner responsibility

Requires direction, supervision, review, and consultation

Links quality risks to engagement performance

EXECUTIVE HIGHLIGHTS

- Partner responsibility is explicit
- Supervision is a quality response
- Consultation must be documented

Practical meaning: Partner responsibility is explicit

Monitoring identifies whether quality responses are working

Root cause analysis is expected for deficiencies

Remediation should address causes, not symptoms

Results should feed back into the quality system

EXECUTIVE HIGHLIGHTS

- Root cause beats blame
- Fix process, not just files
- Monitoring closes the loop

Practical meaning: Root cause beats blame

Peer reviewers will look for quality management design and operation

Documentation must support firm risk assessment

Repeat deficiencies may indicate system-level issues

Small firms still need evidence of a functioning system

EXECUTIVE HIGHLIGHTS

- Peer review lens is broader
- Repeat findings are system signals
- Small firms need proof too

Practical meaning: Peer review lens is broader

Update quality risk assessment
Map quality objectives to responses
Assign responsibility for monitoring
Schedule annual evaluation work before deadline pressure

EXECUTIVE HIGHLIGHTS

- Map risks to responses
- Name accountable leaders
- Do not wait until year-end

Practical meaning: Map risks to responses

ASB is considering guidance for generative AI and agentic AI

Data analytics and technology-enabled tools are part of audit quality discussions

Standards must remain relevant as evidence changes

EXECUTIVE HIGHLIGHTS

- AI guidance is coming
- Analytics need guardrails
- Standards must keep pace

Practical meaning: AI guidance is coming

Analytics can identify unusual trends and outliers
Full-population testing may replace some sampling routines
Auditors must validate data completeness and accuracy
Results should be linked to audit response

EXECUTIVE HIGHLIGHTS

- Analytics widen the lens
- Data reliability is step one
- Outliers need explanation

Practical meaning: Analytics widen the lens

AI may assist with summarization, pattern recognition, and drafting

Outputs require human review and validation

Confidentiality and data protection must be managed

Bias and hallucination risk must be considered

EXECUTIVE HIGHLIGHTS

- Human judgment remains
- Validate every output
- Protect client data

Practical meaning: Human judgment remains

Evidence may come from systems, portals, APIs, and third-party platforms

Reliability depends on source, controls, and completeness

Screenshots alone often provide weak evidence

System-generated reports require validation

EXECUTIVE HIGHLIGHTS

- Source reliability matters
- Screenshots are fragile
- Reports need validation

Practical meaning: Source reliability matters

Sampling remains useful for many tests
Full-population analysis can improve risk identification
Outlier testing requires careful follow-through
Auditors must avoid false comfort from pretty dashboards

EXECUTIVE HIGHLIGHTS

- Sampling is not dead
- Dashboards are not conclusions
- Outliers drive procedures

Practical meaning: Sampling is not dead

Access controls affect reliability of automated evidence
Change management supports system integrity
Operations controls influence completeness and processing
Weak GITCs may increase substantive testing

EXECUTIVE HIGHLIGHTS

- Access risk affects evidence
- Change controls matter
- Weak ITGCs change the audit plan

Practical meaning: Access risk affects evidence

Inventory audit technology tools
Set policies for AI and client data
Train teams on system-generated evidence
Involve IT specialists earlier in planning

EXECUTIVE HIGHLIGHTS

- Create AI guardrails
- Validate data pipelines
- Bring IT in early

Practical meaning: Create AI guardrails

ASB is updating attestation standards for emerging practice areas

Demand is increasing for sustainability and other nonfinancial assurance

CPAs need methods for subject matter beyond historical financial statements

EXECUTIVE HIGHLIGHTS

- Assurance is expanding
- ESG needs rigor
- New services require new skills

Practical meaning: Assurance is expanding

Stakeholders want confidence in nonfinancial metrics
Climate and sustainability data may affect financing and reputation
Controls over ESG data are often immature
Measurement criteria can vary

EXECUTIVE HIGHLIGHTS

- Investor demand is rising
- Data maturity is uneven
- Criteria drive assurance

Practical meaning: Investor demand is rising

Emissions data may involve estimates and external data sources

Boundary decisions affect reported results

Controls over source data may be decentralized

Specialist involvement may be necessary

EXECUTIVE HIGHLIGHTS

- Boundaries matter
- Estimates are heavy
- Specialists may be needed

Practical meaning: Boundaries matter

System and organization controls
Compliance and grant reporting
Sustainability metrics
Performance and outcome reporting
Agreed-upon procedures for targeted user needs

EXECUTIVE HIGHLIGHTS

- Beyond financial statements
- Targeted assurance demand
- Advisory boundary matters

Practical meaning: Beyond financial statements

Data governance
Subject-matter criteria evaluation
Specialist coordination
Technology and control literacy
Clear reporting for nontraditional users

EXECUTIVE HIGHLIGHTS

- Criteria literacy is critical
- Data governance skills grow
- Specialists become normal

Practical meaning: Criteria literacy is critical

ASB is assessing potential targeted amendments to going concern standards

Alignment with international developments is being considered

Jurisdiction-specific U.S. elements remain important

A proposal could follow ASB deliberations

EXECUTIVE HIGHLIGHTS

- Potential targeted amendments
- International alignment considered
- Watch this space

Practical meaning: Potential targeted amendments

Forecasts and cash flow assumptions require skepticism

Debt covenant compliance remains a common trigger

Subsequent events may change the assessment

Disclosures must align with audit evidence

EXECUTIVE HIGHLIGHTS

- Forecasts need challenge
- Debt terms matter
- Disclosures must match evidence

Practical meaning: Forecasts need challenge

GAO issued the 2024 revision of Government Auditing Standards

Effective for financial audits, attestation engagements, and reviews for periods beginning on or after Dec. 15, 2025

Performance audits have the same beginning-date trigger

Early implementation is permitted

EXECUTIVE HIGHLIGHTS

- 2024 Yellow Book is now the focus
- Effective Dec. 15, 2025 periods
- Early implementation permitted

Practical meaning: 2024 Yellow Book is now the focus

Chapter 5 changed from quality control to quality management

Leadership responsibility is emphasized

Quality management is risk-based and scalable

Monitoring and remediation are strengthened

EXECUTIVE HIGHLIGHTS

- Chapter 5 is the big change
- Leadership owns quality
- Risk-based and scalable

Practical meaning: Chapter 5 is the big change

System of quality management generally required by Dec. 15, 2025

Evaluation should be completed by Dec. 15, 2026

Federal audit organizations affected by the 2025 appropriations lapse may have a deferred implementation date

Audit organizations should document implementation decisions

EXECUTIVE HIGHLIGHTS

- Design by Dec. 15, 2025
- Evaluate by Dec. 15, 2026
- Check federal deferral note

Practical meaning: Design by Dec. 15, 2025

Identify threats to independence
Evaluate significance of threats
Apply safeguards when necessary
Document the evaluation and safeguards
Decline or discontinue if threats cannot be reduced

EXECUTIVE HIGHLIGHTS

- Threats → safeguards
- Documentation is required
- Some threats cannot be cured

Practical meaning: Threats → safeguards

Preparing accounting records can create independence threats

Auditors must evaluate management's skill, knowledge, and experience

Management must accept responsibility

Safeguards must be documented

EXECUTIVE HIGHLIGHTS

- SKE matters
- Management responsibility is key
- Bookkeeping threats need care

Practical meaning: SKE matters

Auditors performing GAGAS work must meet continuing professional education requirements

Government-specific CPE remains important

Firms should track compliance by role and engagement

Deficiencies can affect eligibility to perform GAGAS engagements

EXECUTIVE HIGHLIGHTS

- Track by auditor role
- Government hours matter
- Do not discover gaps late

Practical meaning: Track by auditor role

GAGAS financial audits include reporting on internal control over financial reporting

Significant deficiencies and material weaknesses require careful evaluation

Findings should be clear, complete, and supported

Communication timing matters

EXECUTIVE HIGHLIGHTS

- Control reporting is central
- Findings need full elements
- Support severity decisions

Practical meaning: Control reporting is central

Auditors report on compliance with laws, regulations, contracts, and grant agreements

Compliance testing should be linked to risk

Findings should distinguish questioned costs, control issues, and legal compliance matters

Management responses should be evaluated

EXECUTIVE HIGHLIGHTS

- Risk drives compliance tests
- Findings need precision
- Questioned costs require care

Practical meaning: Risk drives compliance tests

Single audits layer Uniform Guidance on top of financial statement auditing

Major program determination drives compliance testing

SEFA completeness is a recurring risk

Findings may have federal reporting consequences

EXECUTIVE HIGHLIGHTS

- SEFA is a risk magnet
- Major programs drive testing
- Findings travel beyond the client

Practical meaning: SEFA is a risk magnet

Late reconciliations

Lack of segregation of duties

Unsupported journal entries

Procurement documentation gaps

Grant compliance weaknesses

EXECUTIVE HIGHLIGHTS

- Reconciliations recur
- Segregation limits are common
- Grant files need discipline

Practical meaning: Reconciliations recur

Cities, towns, counties, authorities, special purpose entities, and school districts may face small-office control constraints

Bank access and cash receipting can be high-risk areas

Utility billing, payroll, and purchasing cycles often deserve attention

Boards need plain-language reporting

EXECUTIVE HIGHLIGHTS

- Small-office controls matter
- Cash access is sensitive
- Plain-language reporting helps boards

Practical meaning: Small-office controls matter

Yellow Book adds independence, CPE, quality management, and reporting requirements

GAGAS financial audits still incorporate AICPA auditing standards

Government auditors must satisfy both layers when applicable

Documentation burden is generally higher

EXECUTIVE HIGHLIGHTS

- GAAS plus GAGAS
- Two-layer compliance
- More documentation expected

Practical meaning: GAAS plus GAGAS

AICPA audit report expresses the financial statement opinion

Yellow Book adds reports on internal control and compliance

Single audit adds major program compliance reporting

Governance communications remain separate but connected

EXECUTIVE HIGHLIGHTS

- More reports, more audiences
- Layered conclusions
- Consistency across reports matters

Practical meaning: More reports, more audiences

Assign owners for ASB project monitoring
Update audit methodology for fraud and confirmations
Complete Yellow Book quality management gap assessment
Train teams on technology evidence and documentation expectations
Build review checklists around new risk areas

EXECUTIVE HIGHLIGHTS

- Name owners
- Update methodology
- Train before fieldwork

Practical meaning: Name owners

The ASB pipeline is focused on fraud, confirmations, technology, attestation, and going concern

The 2024 Yellow Book shifts government audit organizations toward risk-based quality management

The practical trend is more explicit linkage between risk, evidence, documentation, and reporting

EXECUTIVE HIGHLIGHTS

- Risk linkage wins
- Quality management is real
- Documentation tells the story

Practical meaning: Risk linkage wins