

Violations of Mandatory Professional Standards for Conducting Audits

Auditors from the Office of the State Comptroller found problems with the quality of audit work by Miller, Lilly & Pearce for the following nine mandatory standards (Government Auditing Standards - 1994 Revision).

- In all matters relating to the audit work, the audit organization and the individual auditors, whether government or public, should be free from personal and external impairments to independence, should be organizationally independent, and should maintain an independent attitude and appearance. GAGAS § 3.11
- Due professional care should be used in conducting the audit and in preparing related reports. GAGAS § 3.26
- Each audit organization conducting audits in accordance with these standards should have an appropriate internal quality control system in place and undergo an external quality control review. GAGAS § 3.31
- Auditors should design the audit to provide reasonable assurance of detecting irregularities that are material to the financial statements. GAGAS § 4.12
- Auditors should design the audit to provide reasonable assurance of detecting material misstatements resulting from direct and material illegal acts. GAGAS § 4.12
- Auditors should obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing, and extent of tests to be performed. GAGAS § 4.21
- A record of the auditors' work should be retained in the form of working papers. GAGAS § 4.34
- Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditors' significant conclusions and judgments. GAGAS § 4.35
- The report on the financial statements should either (a) describe the scope of the auditors' testing of compliance with the laws and regulations and internal controls and present the results of those tests or (b) refer to separate reports containing the information. In presenting the results of those tests, auditors should report irregularities, illegal acts, other material noncompliance, and reportable conditions in internal controls. In some circumstances, auditors should report irregularities and illegal acts directly to parties external to the audited entity. GAGAS § 5.15