

Gleim CPA Review
Updates to Auditing and Attestation
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NOTE: Sections with changes are indicated by a vertical bar in the left margin. Text that should be deleted is displayed with a line through it. New text is shown with blue underlined font.

Optimizing Your Auditing and Attestation Score

Page 9: This edit updates the “I” in the mnemonic “CRIME.”

Memory Aids

These mnemonic devices are designed to assist you in memorizing important concepts.

For example, “Controls stop **CRIME**” helps candidates remember the five interrelated components of a system of internal control: Control activities, Risk assessment process, Information system and communication, Monitoring of controls, and the control Environment.

Study Unit 1 – Engagement Responsibilities

Page 27, Subunit 1.4: This edit updates the policies and procedures of a firm’s system of quality management.

A CPA firm has a responsibility to establish and maintain a system of quality management. Thus, the firm should establish policies and procedures to provide reasonable assurance that (1) the firm and its personnel comply with professional standards and applicable legal and regulatory requirements and (2) the firm issues appropriate reports.

- Quality management standards apply to the conduct of a firm’s practice as a whole. Thus, quality management may affect audits.
- Policies and procedures of a firm’s system of quality management ~~system~~ should ~~include~~ address the eight interrelated components: (1) leadership responsibilities, (2) the firm’s risk assessment process, (3) ethical requirements, (4) governance and leadership, (5) client relationships, (6) relevant ethical requirements, (7) human resources, (8) acceptance and continuance of client relationships and engagements, (9) engagement performance, and (10) monitoring resources, (11) information and communication, and (12) monitoring and remediation.

Study Unit 2 – Professional Responsibilities

Page 55, Subunit 2.2: This update adds Example 2-13c to include recent changes to the AICPA's *Code of Professional Conduct*, which are testable beginning April 1, 2026.

Example 2-13c Executive or Employee Recruiting

- A covered member may provide certain recruiting services to an attest client, provided the services do not impair independence. Permissible activities include advising the client regarding the general terms of employment for a specific position, searching for candidates for **nonkey** positions, and reviewing resumes to identify individuals who meet the client's established criteria.
- However, a covered member should not perform recruiting services for **key** employees of the attest client.

Study Unit 5 – Internal Control Concepts and Information Technology

Page 168, Subunit 5.1, under Components of a System of Internal Control: This edit updates the information component for a system of internal control.

Auditing standards (and the COSO's internal control framework) define the following five interrelated components (a useful memory aid is "Controls stop **CRIME**," with E representing the control environment):

- **Control activities** are the policies and procedures that help ensure that management directives are carried out.
- The **risk assessment process** is the entity's identification and analysis of relevant risks.
- ~~The **information system**, including related and relevant business processes,~~ **Information and communication processes** supports the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.

Page 171, Subunit 5.2: This edit updates the information component for a system of internal control in the section header.

Information Systemsand Communication

An **information system**, including the related business processes relevant to financial reporting and communication, consists of (1) physical and hardware elements (infrastructure), (2) people, (3) software, (4) data, and (5) manual and automated procedures. It often is used extensively.

Page 190, Subunit 5.2, Question 5: This edit updates the information component for a system of internal control.

5. Which of the following is **not** a component of a system of internal control?

- A. Control risk.
- B. Monitoring of controls.
- C. Information ~~system~~ and communication.
- D. The control environment.

✓ **Answer (A) is correct.**

Discussion: Control risk is one of the elements in the audit risk model. It is the risk that a material misstatement that could occur in an assertion will not be prevented, or detected and corrected, on a timely basis by the entity's system of internal control. Thus, control risk is a function of the effectiveness of the system of internal control, not a component.

Study Unit 20 – Governmental Audits

Page 653, Introductory Paragraph: This edit removes outdated information.

The first subunit addresses issues covered in the ~~2018 revision of Government Auditing Standards~~ (the Yellow Book), the publication of the **Government Accountability Office (GAO)** that is fundamental to governmental auditing ~~and is the basis for most of the related questions on recent CPA Exams~~. The second subunit is based on an AICPA auditing standard and relates to opinions on whether an organization complies with applicable laws and regulations. The final subunit describes additional standards for audits of organizations that receive federal awards. The trend has been to increase the coverage of governmental auditing, so expect some questions on this material.

Page 656, Subunit 20.1: These edits provide updates on quality management standards.

Continuing Professional Education

Auditors who are involved in planning, directing, performing, or reporting on GAGAS audits are required to complete at least 80 hours of continuing education in related topics every 2 years. At least 24 hours of CPE should directly relate to governmental auditing.



Success Tip

~~Government audit standards use the term “quality control,” while the AICPA standards use the term “quality management.”~~

~~Quality Control and Assurance~~ Management, Engagement Quality Reviews, and Peer Review



Success Tip

Like the AICPA, the GAO has recently updated its quality management standards. As a result, this topic may receive increased emphasis on the CPA Exam.

~~Each audit organization performing engagements in accordance with GAGAS must establish a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements.~~

~~The organization is required to have an external **peer review** at least once every **3 years**.~~

Government standards require audit organizations to establish a **risk-based quality management framework** that is designed, implemented, and operated to provide reasonable assurance that engagements are performed and reported on in accordance with professional standards and applicable laws and regulations. The framework should be **scalable** to the organization's size and complexity, with responsibility and accountability assigned to a **senior-level official**. Organizations are expected to identify and assess quality risks, establish quality objectives, design and implement responses to those risks, monitor and remediate deficiencies, and evaluate the effectiveness of the system **at least annually**. The framework should be properly documented.

More formal than the annual assessment, **engagement quality reviews** are described as an **optional**, objective evaluation of significant judgments and conclusions related to quality resulting in a report. In addition, audit organizations are **required** to undergo an **external peer review** at least once every **3 years**.