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# Types of GAGAS Engagements

PRESENTED BY SALT LAKE COUNTY AUDITOR:

CHRIS HARDING, CPA

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# Types of GAGAS Engagements

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1. Financial audits
2. Attestation-level examination, reviews, and agreed-upon procedures engagements and reviews of financial statements
3. Performance audits

# 1. Financial Audits

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1.17 Financial audits provide independent assessments of whether entities' reported financial information (e.g., financial condition, results, and use of resources) is **presented fairly, in all material respects, in accordance with recognized criteria**. Financial audits conducted in accordance with GAGAS include financial statement audits and other related financial audits.

a. **Financial statement audits**: The primary purpose of a financial statement audit is to provide financial statement users with an **opinion by an auditor on whether an entity's financial statements are presented fairly, in all material respects, in accordance with an applicable financial reporting framework**. Reporting on financial statement audits conducted in accordance with GAGAS also includes reports on internal control over financial reporting and on compliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.

b. Other types of financial audits: Other types of financial audits conducted in accordance with GAGAS entail various scopes of work, including

- (1) **obtaining sufficient, appropriate evidence to form an opinion on a single financial statement or specified elements, accounts, or line items** of a financial statement;
- (2) issuing letters (commonly referred to as **comfort letters**) for underwriters and certain other requesting parties;
- (3) auditing **applicable compliance and internal control requirements relating to one or more government programs**; and
- (4) conducting **an audit of internal control over financial reporting that is integrated with an audit of financial statements** (integrated audit).



## Independent Auditor's Report

Honorable Mayor Wilson and Members of the County Council  
Salt Lake County, Utah

### **Report on the Basic Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Salt Lake County, Utah (the County) as of and for the year ended December 31, 2020, and the related notes to the basic financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Basic Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

# 2. Attestation Engagements and Reviews of Financial Statements

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1.18 Attestation engagements can cover a **broad range of financial or nonfinancial objectives** about the subject matter or assertion depending on the users' needs. In an attestation engagement, the subject matter or an assertion by a party other than the auditors is measured or evaluated in accordance with suitable criteria. The work the auditors perform and the level of assurance associated with the report vary based on the type of attestation engagement. The three types of attestation engagements are as follows:

a. **Examination:** An auditor obtains **reasonable assurance** by obtaining sufficient, appropriate evidence about the measurement or evaluation of subject matter **against criteria** in order to be able to **draw reasonable conclusions** on which to base the **auditor's opinion about whether the subject matter is in accordance with (or based on) the criteria or the assertion is fairly stated, in all material respects**. The auditor obtains the same level of assurance in an examination as in a financial statement audit.

b. **Review:** An auditor obtains **limited assurance** by obtaining sufficient, appropriate review evidence about the measurement or evaluation of subject matter against criteria in order to express a conclusion about whether any material modification should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or to the assertion in order for it to be fairly stated. Review-level work does not include reporting on internal control or compliance with provisions of laws, regulations, contracts, and grant agreements. The auditor obtains the same level of assurance in a review engagement as in a review of financial statements.

c. **Agreed-upon procedures engagement:** An auditor performs specific procedures on subject matter or an assertion and reports the findings **without providing an opinion or a conclusion on it**. The specified parties to the engagement agree upon and are responsible for the sufficiency of the procedures for their purposes. The specified parties are the intended users to whom use of the report is limited.

## 2. Attestation Engagements and Reviews of Financial Statements (continued)

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1.19 The subject matter of an attestation engagement may take many forms, including the following:

- a. historical or prospective performance or condition, historical or prospective financial information, performance measurements, or backlog data;
- b. physical characteristics, for example, narrative descriptions or square footage of facilities;
- c. historical events, for example, **the price of a market basket of goods on a certain date**;
- d. **analyses, for example, break-even analyses**;
- e. systems and processes, for example, internal control; and
- f. behavior, for example, corporate governance, compliance with laws and regulations, and **human resource practices**.

1.20 The objective of the auditor when performing a **review of financial statements is to obtain limited assurance** as a basis for reporting whether the auditor is aware of any material modifications that should be made to financial statements in order for the financial statements to be in accordance with the applicable financial reporting framework. A review of financial statements **does not include obtaining an understanding of the entity's internal control, assessing fraud risk**, or certain other procedures ordinarily performed in an audit.

# 3. Performance Audits

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1.21 Performance audits provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight with, among other things, **improving program performance and operations, reducing costs, facilitating decision making** by parties responsible for overseeing or initiating corrective action, and contributing to public accountability.

1.22 Performance audit objectives **vary widely** and include assessments of program **effectiveness, economy, and efficiency; internal control; compliance; and prospective analyses**. Audit objectives may also pertain to the current status or condition of a program. These overall objectives are **not mutually exclusive**. For example, **a performance audit with an objective of determining or evaluating program effectiveness may also involve an additional objective of evaluating the program's internal controls**. Key categories of performance audit objectives include the following:

# 3. Performance Audits (continued)

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a. **Program effectiveness and results audit objectives.** These are frequently interrelated with economy and efficiency objectives. Audit objectives that focus on program effectiveness and results typically measure the extent to which a program is achieving its goals and objectives. Audit objectives that focus on economy and efficiency address the costs and resources used to achieve program results.

b. **Internal control audit objectives.** These relate to an assessment of one or more aspects of an entity's system of internal control that is designed to provide reasonable assurance of achieving effective and efficient operations, reliability of reporting for internal and external use, or compliance with provisions of applicable laws and regulations. Internal control objectives also may be relevant when determining the cause of unsatisfactory program performance. Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity.

c. **Compliance audit objectives.** These relate to an assessment of compliance with criteria established by provisions of laws, regulations, contracts, and grant agreements, or other requirements that could affect the acquisition, protection, use, and disposition of the entity's resources and the quantity, quality, timeliness, and cost of services the entity produces and delivers. Compliance requirements can be either financial or nonfinancial.



# 3. Performance Audits (continued)

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d. **Prospective analysis audit objectives.** These provide analysis or conclusions about information that is based on assumptions about events that may occur in the future, along with possible actions that the entity may take in response to the future events.



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# Questions

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