

Ethics as a Part of Quality Management December 4, 2025

System of Quality Management

An audit organization conducting engagements in accordance with GAGAS must **design, implement, and operate a system of quality management** that provides it with reasonable assurance that the audit organization and its personnel

- a. **fulfill their responsibilities in accordance with professional standards and applicable laws and regulations and**
- b. perform and report on engagements in accordance with such standards and requirements.

5.08 The audit organization should **exercise professional judgment** in designing, implementing, and operating a system of quality management, taking into account the nature and circumstances of the audit organization and its engagements.

Quality Management Risk Assessment Process

The audit organization should **design and implement** a risk assessment process that **establishes quality objectives**, **identifies and assesses quality risks**, and **designs and implements responses to address the quality risks**.

5.20 The audit organization should establish the quality objectives specified by the Yellow Book for components 2-7.

The audit organization should identify and assess quality risks. To identify and assess quality risks, the audit organization should

- a. obtain an understanding of the conditions, events, circumstances, actions, or inactions that may adversely affect the achievement of the quality objectives and**
- b. consider how, and the degree to which, the conditions, events, circumstances, actions, or inactions may adversely affect the achievement of the quality objectives.**

The audit organization should design and implement responses to address the quality risks.



Independence, Legal, and Ethical Requirements

The audit organization should establish the following **quality objectives** that address fulfilling responsibilities in accordance with independence and legal and ethical requirements relevant to performing GAGAS engagements:

- a. The audit organization and its personnel
 - (1) understand the independence and legal and ethical requirements to which the audit organization and its engagements are subject and
 - (2) fulfill their responsibilities in relation to the independence and legal and ethical requirements to which the audit organization and its engagements are subject.

Independence, Legal, and Ethical Requirements

The audit Organization should establish policies and procedures for **identifying, evaluating, and addressing threats to compliance** with independence requirements and applicable legal and ethical requirements, and appropriately **responding to the causes and consequences of any breaches** of these requirements, and at least annually, obtain written affirmation of compliance with its policies and procedures on independence from all personnel required to be independent.

Ethical Principles

The ethical principles that guide the work of auditors who conduct engagements in accordance with GAGAS are

- a. The Public Interest**
- b. Integrity**
- c. Objectivity**
- d. proper use of government information, resources, and positions**
- e. professional behavior.**

The Public Interest

The principle of the public interest is fundamental to an auditor's responsibilities and is particularly critical in the government environment. A distinguishing mark of a government auditor is their acceptance of responsibility to serve the public interest.

Integrity and Objectivity

Integrity requires all professional staff members to perform their work with an attitude that is objective, fact-based, non-partisan, and non-ideological with regard to audited entities and users of the reports. Objectivity requires that professional staff maintain independence of mind and appearance, an attitude of impartiality, intellectual honesty, and being free of conflicts of interest.

GAGAS Conceptual Framework

3.27 Auditors should apply the conceptual framework at the **audit organization, engagement team, and individual auditor levels** to

- a. identify threats to independence;
- b. evaluate the significance of the threats identified, both individually and in the aggregate; and
- c. apply safeguards as necessary to eliminate the threats or reduce them to an acceptable level.



Nonaudit Services – Preparing Accounting Records and Financial Statements

Figure 1: Generally Accepted Government Auditing Standards Conceptual Framework for Independence

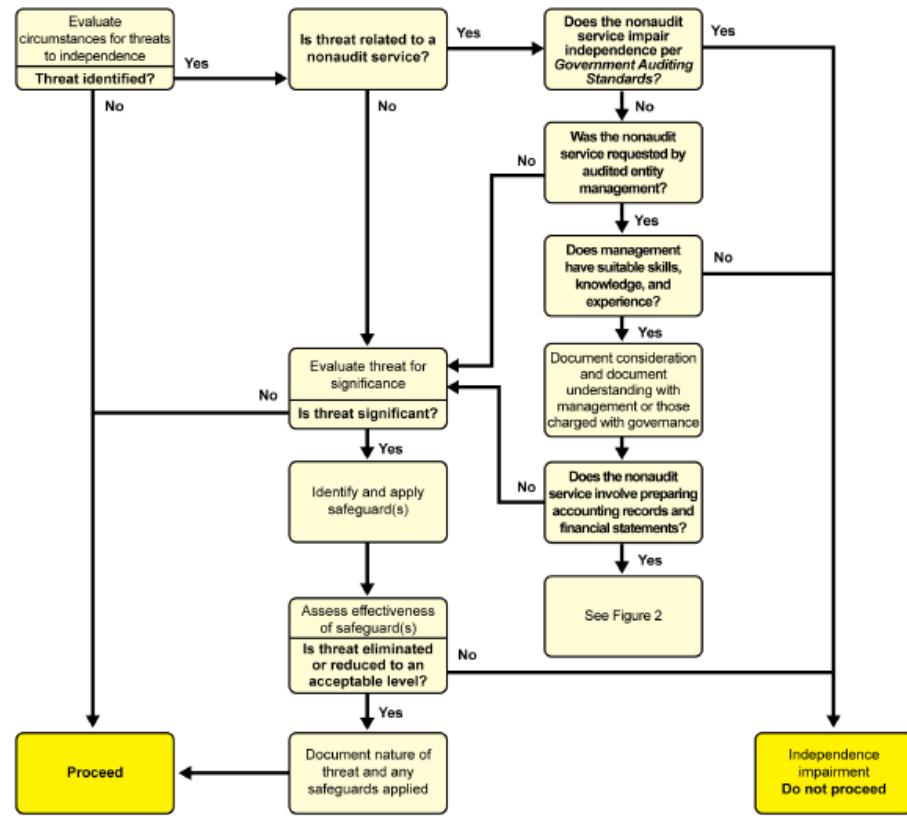
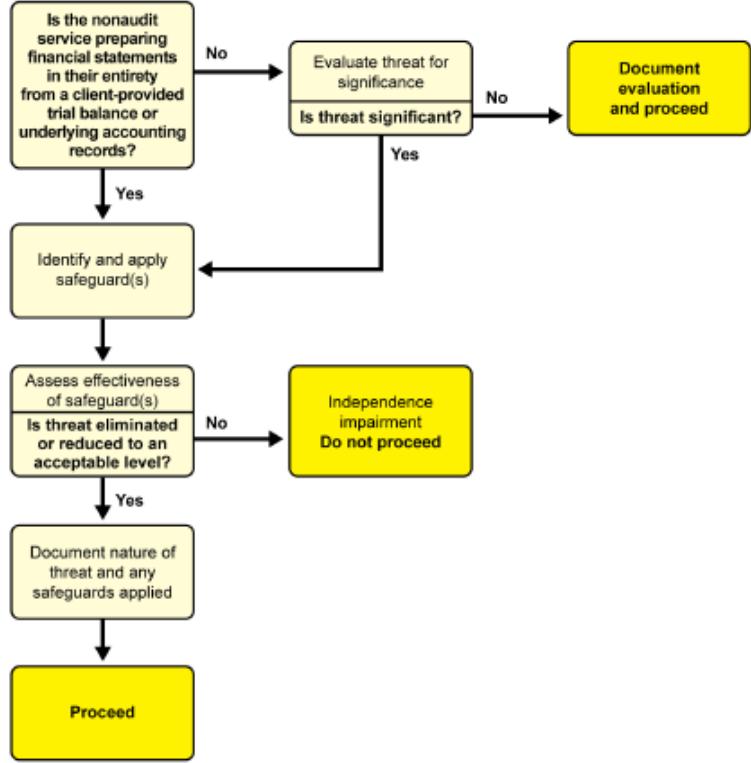


Figure 2: Independence Considerations for Preparing Accounting Records and Financial Statements



Source: GAO. | GAO-18-568G



Governance and Leadership

5.45 The audit organization should establish **quality objectives** that address its governance and leadership as follows:

- a.** The audit organization demonstrates a commitment to quality through a culture that exists throughout the audit organization.
- b.** Leadership is responsible and accountable for quality.
- c.** Leadership demonstrates a commitment to quality through its actions and behaviors.
- d.** The organizational structure and assignment of roles, responsibilities, and authority are appropriate to enable the design, implementation, and operation of the audit organization's system of quality management.
- e.** Resource needs are planned for, obtained, allocated, and assigned in a manner consistent with the audit organization's commitment to quality.



Keith B. Freeman, CPA

Quality Manager

501-683-8600 Ext. 1090

keith.freeman@arklegaudit.gov