

## AU Section 150

### *Generally Accepted Auditing Standards*

(Supersedes SAS No. 1, section 150.)

Source: SAS No. 95; SAS No. 98; SAS No. 102; SAS No. 105; SAS No. 113.

**Effective for audits of financial statements for periods beginning on or after December 15, 2001, unless otherwise indicated.**

**.01** An independent auditor plans, conducts, and reports the results of an audit in accordance with generally accepted auditing standards. Auditing standards provide a measure of audit quality and the objectives to be achieved in an audit. Auditing procedures differ from auditing standards. Auditing procedures are acts that the auditor performs during the course of an audit to comply with auditing standards.

### **Auditing Standards**

**.02** The general, field work, and reporting standards (the 10 standards) approved and adopted by the membership of the AICPA, as amended by the AICPA Auditing Standards Board (ASB), are as follows:

#### *General Standards*

1. The auditor must have adequate technical training and proficiency to perform the audit.
2. The auditor must maintain independence in mental attitude in all matters relating to the audit.
3. The auditor must exercise due professional care in the performance of the audit and the preparation of the report.

#### *Standards of Field Work*

1. The auditor must adequately plan the work and must properly supervise any assistants.
2. The auditor must obtain a sufficient understanding of the entity and its environment, including its internal control, to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures.
3. The auditor must obtain sufficient appropriate<sup>1</sup> audit evidence by performing audit procedures to afford a reasonable basis for an opinion regarding the financial statements under audit.

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<sup>1</sup> See paragraph .06 of section 326, *Audit Evidence*, for the definition of the term *appropriate*. [Footnote added, effective for audits of financial statements for periods beginning on or after December 15, 2006, by Statement on Auditing Standards (SAS) No. 105.]

*Standards of Reporting*<sup>2</sup>

1. The auditor must state in the auditor's report whether the financial statements are presented in accordance with generally accepted accounting principles.<sup>3</sup>
2. The auditor must identify in the auditor's report those circumstances in which such principles have not been consistently observed in the current period in relation to the preceding period.
3. When the auditor determines that informative disclosures are not reasonably adequate, the auditor must so state in the auditor's report.
4. The auditor must either express an opinion regarding the financial statements, taken as a whole, or state that an opinion cannot be expressed, in the auditor's report. When the auditor cannot express an overall opinion, the auditor should state the reasons therefor in the auditor's report. In all cases where an auditor's name is associated with financial statements, the auditor should clearly indicate the character of the auditor's work, if any, and the degree of responsibility the auditor is taking, in the auditor's report.

[As amended, effective for audits of financial statements for periods beginning on or after December 15, 2006, by Statement on Auditing Standards (SAS) No. 105. As amended, effective for audits of financial statements for periods beginning on or after December 15, 2006, by SAS No. 113.]

**.03** Rule 202, *Compliance With Standards*, of the AICPA Code of Professional Conduct [ET section 202.01], requires an AICPA member who performs an audit (the auditor) to comply with standards promulgated by the ASB.<sup>4</sup> The ASB develops and issues standards in the form of SASs through a due process that includes deliberation in meetings open to the public, public exposure of proposed SASs, and a formal vote. The SASs are codified within the framework of the 10 standards.

**.04** The nature of the 10 standards and the SASs requires the auditor to exercise professional judgment in applying them. Materiality and audit risk also underlie the application of the 10 standards and the SASs, particularly those related to field work and reporting.<sup>5</sup> When, in rare circumstances, the auditor departs from a presumptively mandatory requirement, the auditor must document in the working papers his or her justification for the departure and

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<sup>2</sup> The reporting standards apply only when the auditor issues a report. [Footnote added, effective for audits of financial statements for periods beginning on or after December 15, 2006, by SAS No. 113.]

<sup>3</sup> When an auditor reports on financial statements prepared in accordance with a comprehensive basis of accounting other than generally accepted accounting principles (GAAP), the first standard of reporting is satisfied by stating in the auditor's report that the basis of presentation is a comprehensive basis of accounting other than GAAP and by expressing an opinion (or disclaiming an opinion) on whether the financial statements are presented in conformity with the comprehensive basis of accounting used. [Footnote added, effective for audits of financial statements for periods beginning on or after December 15, 2006, by SAS No. 113.]

<sup>4</sup> In certain engagements, the auditor also may be subject to other auditing requirements, such as Government Auditing Standards issued by the comptroller general of the United States, or rules and regulations promulgated by the U.S. Securities and Exchange Commission. [Footnote renumbered by the issuance of SAS No. 105, March 2006. Footnote subsequently renumbered by the issuance of SAS No. 113, November 2006.]

<sup>5</sup> See section 312, *Audit Risk and Materiality in Conducting an Audit*. [Footnote renumbered by the issuance of SAS No. 105, March 2006. Footnote subsequently renumbered by the issuance of SAS No. 113, November 2006.]

how the alternative procedures performed in the circumstances were sufficient to achieve the objectives of the presumptively mandatory requirement. [As amended, effective December 2005, by SAS No. 102. As amended, effective for audits of financial statements for periods beginning on or after December 15, 2006, by SAS No. 113.]

## Interpretive Publications

**.05** *Interpretive publications* consist of auditing interpretations of the SASs, appendixes to the SASs,<sup>6</sup> auditing guidance included in AICPA Audit and Accounting Guides, and AICPA auditing Statements of Position.<sup>7</sup> Interpretive publications are not auditing standards. Interpretive publications are recommendations on the application of the SASs in specific circumstances, including engagements for entities in specialized industries. An interpretive publication is issued under the authority of the ASB after all ASB members have been provided an opportunity to consider and comment on whether the proposed interpretive publication is consistent with the SASs. [As amended, effective September 2002, by SAS No. 98.]

**.06** The auditor should be aware of and consider interpretive publications applicable to his or her audit. If the auditor does not apply the auditing guidance included in an applicable interpretive publication, the auditor should be prepared to explain how he or she complied with the SAS provisions addressed by such auditing guidance.

## Other Auditing Publications

**.07** *Other auditing publications* include AICPA auditing publications not referred to previously; auditing articles in the *Journal of Accountancy* and other professional journals; auditing articles in the *AICPA CPA Letter*; continuing professional education programs and other instruction materials, textbooks, guide books, audit programs, and checklists; and other auditing publications from state CPA societies, other organizations, and individuals.<sup>8</sup> Other auditing publications have no authoritative status; however, they may help the auditor understand and apply the SASs.

**.08** If an auditor applies the auditing guidance included in an other auditing publication, he or she should be satisfied that, in his or her judgment, it is both relevant to the circumstances of the audit, and appropriate. In determining whether an other auditing publication is appropriate, the auditor may wish to consider the degree to which the publication is recognized as being helpful in understanding and applying the SASs and the degree to which the issuer or author is recognized as an authority in auditing matters. Other auditing

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<sup>6</sup> Appendixes to SASs referred to in paragraph .05 of this section do not include previously issued appendixes to original pronouncements that when adopted modified other SASs. [Footnote added, effective September 2002, by SAS No. 98. Footnote renumbered by the issuance of SAS No. 105, March 2006. Footnote subsequently renumbered by the issuance of SAS No. 113, November 2006.]

<sup>7</sup> Auditing interpretations of the SASs are included in the codified version of the SASs. AICPA Audit and Accounting Guides and auditing Statements of Position are listed in appendix D. [Footnote renumbered by the issuance of SAS No. 98, September 2002. Footnote subsequently renumbered by the issuance of SAS No. 105, March 2006. Footnote subsequently renumbered by the issuance of SAS No. 113, November 2006.]

<sup>8</sup> The auditor is not expected to be aware of the full body of other auditing publications. [Footnote renumbered by the issuance of SAS No. 98, September 2002. Footnote subsequently renumbered by the issuance of SAS No. 105, March 2006. Footnote subsequently renumbered by the issuance of SAS No. 113, November 2006.]

publications published by the AICPA that have been reviewed by the AICPA Audit and Attest Standards staff are presumed to be appropriate.<sup>9</sup>

## Effective Date

.09 This section is effective for audits of financial statements for periods beginning on or after December 15, 2001.

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<sup>9</sup> Other auditing publications published by the AICPA that have been reviewed by the AICPA Audit and Attest Standards staff are listed in AU appendix F. [Footnote renumbered by the issuance of SAS No. 98, September 2002. Footnote subsequently renumbered by the issuance of SAS No. 105, March 2006. Footnote subsequently renumbered by the issuance of SAS No. 113, November 2006.]