

Center for Plain English Accounting

AICPA's National A&A Resource Center

SAS 148

Amendments to Compliance Audits Standard

The AICPA's Auditing Standards Board (ASB) issued Statement on Auditing Standards (SAS) 148, *Amendments to AU-C Section 935*. The full text of SAS 148 can be found [here](#). AU-C 935, *Compliance Audits*, addresses the application of generally accepted auditing standards (GAAS) to a compliance audit. SAS 148 amends AU-C 935 to address conforming changes and update the appendix "AU-C Sections That Are Not Applicable to Compliance Audits" (the appendix) to reflect the issuance of the following SASs:

- SAS 142, *Audit Evidence* (AU-C 500)
- SAS 145, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* (AU-C 315)

Amendments Related to SAS 142

The amendments in SAS 142 moved what had been paragraph .08 of AU-C 500A, relating to using the work of a management's specialist, to become paragraph 27 of AU-C 501¹, without any substantive changes to that paragraph. This paragraph was applicable to compliance audits when it was in AU-C 500A, and that applicability didn't change when it was relocated. Accordingly, the appendix in AU-C 935 is revised to reflect the continued applicability of this paragraph in a compliance audit. This amendment is not intended to change current practice.

Amendments Related to SAS 145

SAS 148 updates the appendix in AU-C 935 to include:

- Paragraphs comparable to those in AU-C section 315A that are not applicable to a compliance audit

¹ AU-C 501, *Audit Evidence — Specific Considerations for Selected Items*

- Paragraphs that address significant risks and classes of transactions, account balances, and disclosures that are not significant but are material, as these concepts are not applicable to compliance audits.

SAS 148 adds a requirement to AU-C 935 to address the auditor's responsibility in adapting and applying requirements relating to the control activities component in a compliance audit. This new requirement also includes controls over compliance that are required to be tested for operating effectiveness by a governmental audit requirement (paragraph 20 of extant AU-C 935). Thus, the new requirement combines the auditor's responsibilities under SAS 145 and AU-C 935. Paragraphs 28–29 of SAS 145 include additional requirements related to control activities related to risks arising from the use of IT that also apply to a compliance audit.

For ease of use and clarity of the requirements related to identifying and assessing risks of material noncompliance, SAS 148 adds paragraphs 35 and 37–38 of SAS 145, adapted as necessary, as requirements directly in AU-C 935 and, consequentially, included in the appendix in AU-C 935 as not applicable when applying SAS 145 to a compliance audit. Application material was added to AU-C 935 that references the 22 relevant application material paragraphs for paragraphs 35 and 37–38 in SAS 145.

SAS 148 adds a requirement relating to documentation of identified and assessed risks of material noncompliance and, consequently, included the comparable paragraph from SAS 145 in the appendix in AU-C 935 as a paragraph that is not applicable in a compliance audit.

An inconsistency in extant AU-C 935 exists whereby the requirements in AU-C 315 with respect to significant risks were scoped out of a compliance audit, but the requirements in AU-C 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*, with respect to significant risks were not. SAS 148 removes this inconsistency by adding paragraphs 15 and 22 of AU-C 330 to the appendix in AU-C 935.

SAS 148 also added paragraph 18 of AU-C 330 to the appendix in AU-C 935 because performing substantive procedures for each relevant assertion of each significant class of transactions, account balance, and disclosure is not applicable in a compliance audit.

Finally, SAS 148 made certain other editorial revisions for clarity or consistency with other AU-C sections.

Effective Date

The effective date of the amendment to the appendix in AU-C 935 with regard to AU-C 501 is aligned with the effective date of SAS 142 (SAS 142 is effective for audits of

financial statements for periods ending on or after December 15, 2022). All other amendments in SAS 148 arise from SAS 145, and accordingly, their effective date is aligned with the effective date of SAS 145 (SAS 145 takes effect for audits of financial statements for periods ending on or after December 15, 2023). Early implementation of SAS 148 is permitted. The ASB recommends that any firm that performs compliance audits implement SAS 148 concurrently with its implementation of SAS 145.

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