

## AU Section 161

# *The Relationship of Generally Accepted Auditing Standards to Quality Control Standards*

(Supersedes SAS No. 4.)<sup>[1]</sup>

Source: SAS No. 25; SAS No. 98.

Issue date, unless otherwise indicated: November, 1979.

**.01** The independent auditor is responsible for compliance with generally accepted auditing standards in an audit engagement. Rule 202 [ET section 202.01] of the Rules of Conduct of the Code of Professional Conduct of the American Institute of Certified Public Accountants requires members to comply with such standards when associated with financial statements.

**.02** A firm of independent auditors has a responsibility to adopt a system of quality control in conducting an audit practice.<sup>2</sup> Thus, a firm should establish quality control policies and procedures to provide it with reasonable assurance that its personnel comply with generally accepted auditing standards in its audit engagements. The nature and extent of a firm's quality control policies and procedures depend on factors such as its size, the degree of operating autonomy allowed its personnel and its practice offices, the nature of its practice, its organization, and appropriate cost-benefit considerations. [Revised, April 2002, to reflect conforming changes necessary due to the issuance of Statement on Auditing Standards No. 96. As amended, effective September 2002, by Statement on Auditing Standards No. 98.]

**.03** Generally accepted auditing standards relate to the conduct of individual audit engagements; quality control standards relate to the conduct of a firm's audit practice as a whole. Thus, generally accepted auditing standards and quality control standards are related, and the quality control policies and procedures that a firm adopts may affect both the conduct of individual audit engagements and the conduct of a firm's audit practice as a whole. However, deficiencies in or instances of noncompliance with a firm's quality control policies and procedures do not, in and of themselves, indicate that a particular audit engagement was not performed in accordance with generally accepted auditing standards. [As amended, effective September 2002, by Statement on Auditing Standards No. 98.]

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<sup>[1]</sup> [Footnote deleted by the issuance of Statement on Auditing Standards No. 98, September 2002.]

<sup>2</sup> The elements of quality control are identified in QC section 10B, *A Firm's System of Quality Control*. A system of quality control consists of policies designed to provide the firm with reasonable assurance that the firm and its personnel comply with professional standards and applicable legal and regulatory requirements and that reports issued by the firm are appropriate in the circumstances, and the procedures necessary to implement and monitor compliance with those policies. [Footnote added, effective September 2002, by SAS No. 98. Footnote amended due to the issuance of SQCS No. 7, December 2008.]