

# Statement on Auditing Standards No. 127, *Omnibus Statement on Auditing Standards—2013*

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## Executive Summary

### Amendments to SAS No. 122 Section 600

Paragraph .25a of Statement on Auditing Standards (SAS) No. 122, *Statements on Auditing Standards: Clarification and Recodification*, section 600, "Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)" (AICPA, *Professional Standards*), precludes making reference to the audit of a component auditor in the auditor's report on the group financial statements unless the component's financial statements are prepared using the same financial reporting framework as that used for the group financial statements. These amendments permit making reference to the audit of a component auditor in the auditor's report on the group financial statements when the component's financial statements are prepared using a different financial reporting framework than that used for the group financial statements, if certain conditions are met. The amendments also add a requirement, when reference is made to a component auditor's report on financial statements prepared using a different financial reporting framework, for the auditor's report on the group financial statements to disclose that the auditor of the group financial statements is taking responsibility for evaluating the appropriateness of the adjustments to convert the component's financial statements to the financial reporting framework used by the group. The amendments also add application material that addresses making reference when the financial reporting frameworks differ.

Paragraph .25b of SAS No. 122 section 600 precludes making reference to the audit of a component auditor in the auditor's report on the group financial statements unless the component auditor has performed an audit that meets the relevant requirements of generally accepted auditing standards (GAAS). Paragraph .A54 of SAS No. 122 section 600 provides guidance on how the group engagement partner may determine that the audit performed by the component auditor meets the relevant requirements of GAAS. These amendments clarify that requirement and add additional guidance regarding that determination. The amendments also add a requirement that when the auditor of the group financial statements is making reference to the audit of a component auditor and has determined that the component auditor performed additional audit procedures in order to meet the relevant requirements of GAAS, the auditor's report on the group financial statements should indicate the set of auditing standards used by the component auditor and that additional audit procedures were performed by the component auditor to meet the relevant requirements of GAAS.

These amendments also clarify that the group engagement team is required to determine component materiality for those components on which the group engagement team will assume responsibility for the work of a component auditor who performs an audit or a review.

### Amendments to SAS No. 122 Section 800

SAS No. 122 section 800, "Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks," introduced the term *special purpose framework*, which is a cash, tax, regulatory, or contractual basis of accounting. These

amendments add an other basis of accounting that uses a definite set of logical, reasonable criteria that is applied to all material items appearing in financial statements to the bases of accounting defined as special purpose frameworks.

**Effective Dates**

The amendments to SAS No. 122 section 600 are effective for audits of group financial statements for periods ending on or after December 15, 2012.

The amendments to SAS No. 122 section 800 are effective for audits of financial statements for periods ending on or after December 15, 2012.