

Statement on Auditing Standards No. 131, *Amendment to Statement on Auditing Standards No. 122 Section 700, Forming an Opinion and Reporting on Financial Statements*

Issue Date: January 2016

Effective Date: This Statement on Auditing Standards is effective for audits of financial statements for periods ending on or after June 15, 2016. Application of the SAS before the effective date is not prohibited.

Product Number: ASASST131P (paperback); ASASST131E (eBook) (Or, go to www.cpa2biz.com and search for this product number.)

Executive Summary

The Auditing Standards Board has issued [SAS No. 131](#), *Amendment to Statement on Auditing Standards No. 122 Section 700, Forming an Opinion and Reporting on Financial Statements* (AICPA, *Professional Standards*, AU-C sec. 700), to clarify the format of the auditor's report that should be issued when the auditor conducts an audit in accordance the standards of the PCAOB, but the audit is **not** under the jurisdiction of the PCAOB.

An audit is "under the jurisdiction of the PCAOB" if, to perform that audit, the auditor is required to be registered with, and subject to inspection by, the PCAOB. This is required of auditors of certain entities, including issuers and non-issuer brokers and dealers registered with the SEC.

When the audit is under the jurisdiction of the PCAOB, the AICPA Code of Professional Conduct requires members to conduct the audit in accordance with the standards of the PCAOB, and the audit is **not** required to also be conducted in accordance with GAAS.

However, when the audit is **not** under the jurisdiction of the PCAOB but the entity desires, or is required by an agency, by a regulator, or by contractual agreement, to obtain an audit conducted under PCAOB standards, the AICPA Code of Professional Conduct requires the auditor to **also** conduct the audit in accordance with GAAS. Examples of entities whose audits are not within the jurisdiction of the PCAOB include clearing agencies and futures commission merchants registered with the Commodity Futures Trading Commission (CFTC), as well as certain other entities registered with the CFTC that are not also SEC-registered brokers and dealers.

SAS No. 131 addresses the different reporting requirements of GAAS and the auditing standards of the PCAOB. When the auditor refers to the standards of the PCAOB in addition to GAAS in the auditor's report, SAS No. 131 requires the auditor to use the form of report required by the standards of the PCAOB, amended to state that the audit was also conducted in accordance with GAAS.

The amendments are effective for audits of financial statements for periods ending on or after June 15, 2016; however, application of the SAS before the effective date is permitted.