



At a glance

From the Audit & Attest Standards Team

Completion of the auditor reporting standards

What happened?

In April 2020, Statement on Auditing Standards (SAS) No. 140, *Amendments to AU-C Sections 725, 730, 930, 935, and 940 to Incorporate Auditor Reporting Changes From SAS Nos. 134 and 137* was issued. SAS 140 amends AU-C sections 725, *Supplementary Information in Relation to the Financial Statements as a Whole*; 730, *Required Supplementary Information*; 930, *Interim Financial Information*; 935, *Compliance Audits*; and 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*. The SAS also includes conforming changes to other AU-C sections.

In addition to the amendments for conformity with SAS No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*, and SAS No. 137, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*, other significant revisions are as follows:

Revisions to AU-C section 930

The reporting requirements with respect to reviews of interim financial information are revised to harmonize with the requirements in the PCAOB's Auditing Standard (AS) 4105, *Reviews of Interim Financial Information*. The changes include the placement of the auditor's review conclusion at the beginning of the review report on interim financial information.

Revisions to AU-C section 935

AU-C section 935 is revised for consistency with the recent issuance of *Uniform Guidance*, changes in OMB Compliance Supplement and the most recently issued Yellow Book. Significant changes include the following:

- Presenting requirements for a combined report on compliance and internal control as the default form of report, followed by requirements addressing when the auditor chooses to issue separate reports on compliance and on internal control over compliance. This reverses how the requirements are presented in extant AU-C section 935 because combined reports are more common in practice.
- Amending the definition of *material noncompliance* to align with the description of materiality in the SAS No. 138, *Amendments to the Description of the Concept of Materiality*.

Revisions to AU-C section 940

Significant changes to the reporting requirements with respect to audits of internal control over financial reporting that is integrated with an audit of financial statements include the following:

- When issuing a separate report on ICFR, requiring paragraphs to be placed within (a) the "Opinion" section following the opinion paragraph in the auditor's report on the financial statements that references to the report on ICFR and (b) the "Opinion on Internal Control Over Financial Reporting" section following the opinion paragraph in the report on ICFR that references to the report on the financial statements
- Revising requirements on how to report when issuing an adverse opinion or disclaiming an opinion because of a scope limitation
- Addressing situations when management includes additional information in management's report or includes additional information in a document containing management's report and the related auditor's report

AU-C sections 725 and 730 aligned with SAS No. 137

AU-C sections 725 and 730 include requirements for the auditor to report on supplementary information and required supplementary information, as applicable. As supplementary information and required supplementary information are comparable to other information, AU-C sections 725 and 730 are amended to require reporting in a *separate section of the auditor's report* as opposed to in an other-matter paragraph.

Next steps

The amendments in SAS No. 140 to AU-C sections 725, 730, 935 and 940 are effective for audits under those sections for periods ending on or after December 15, 2020; AU-C section 930 is effective for reviews of interim financial information for interim periods of fiscal years beginning on or after December 15, 2020. Early implementation is not permitted for any of the revised AU-C sections.

[SAS No. 140 is available for auditors to read and consider in order to prepare for implementation.](#)