



At a glance

From the Audit & Attest Standards Team

New Statement on Auditing Standards for Group Audits

What happened?

In March 2023, the AICPA Auditing Standards Board (ASB) issued Statement on Auditing Standards (SAS) No. 149, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors and Audits of Referred-to Auditors)*. SAS No. 149 supersedes section 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, of SAS No. 122, as amended, and makes conforming amendments to various other SASs.

The ASB also issued Statement on Quality Management Standards (SQMS) No. 3, *Amendments to QM Sections 10, A Firm's System of Quality Management, and 20, Engagement Quality Reviews*. The amendments to QM sections 10 and 20 conform certain terms to language used in SAS No. 149 and provide guidance on differentiating between a resource and an information source.

What has changed?

The most *significant change* introduced by SAS No. 149 is that it provides a risk-based approach to planning and performing a group audit. Former AU-C section 600 required the group engagement team to identify significant components at which to perform audit work; whereas SAS No. 149 directs the group auditor to use professional judgment in determining the components at which to perform procedures, based on assessed risks. SAS No. 149 also better aligns the standard with other recently issued SASs and clarifies the interaction between the SAS and other AU-C sections.

New terms and definitions

SAS No. 149 introduces the term *referred-to auditor* and defines it as an auditor who performs an audit of the financial statements of a component to which the group engagement partner determines to make reference in the auditor's report on the group financial statements. The definition also indicates that a referred-to auditor is not a component auditor and, accordingly, is not a part of the engagement team for a group audit. In former AU-C section 600, an auditor for whom the group auditor assumes responsibility and an auditor to whom the group auditor makes reference are both termed *component auditors*.

SAS No. 149 also revises the definition of the term *component auditor* to indicate that a component auditor is part of the engagement team. The ASB made this change to reflect SAS No. 146, *Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards* (AU-C section 220), which revises the definition of the term *engagement team* to include component auditors. This change is intended to improve audit quality by making the group engagement partner responsible for the direction and supervision of component auditors and review of their work. In addition, the definition of component auditor has been revised so that it excludes referred-to auditors.

Consistent with former AU-C section 600, investments accounted for using the equity method of accounting are considered components and therefore are included in the scope of SAS No. 149. The SAS identifies procedures the group auditor is required to perform to determine whether to use the audited financial statements of the equity method investment, including the accompanying audit report, as audit evidence; matters that may cause the group auditor to conclude that additional audit procedures are necessary; and additional procedures the group auditor may perform to obtain sufficient appropriate audit evidence.

Next steps?

SAS No. 149 is effective for audits of group financial statements for periods ending on or after December 15, 2026.

SQMS No. 3 is effective concurrently with the effective dates provided in QM sections 10 and 20.

SAS No. 149 and SQMS No. 3 are available for auditors to read and consider in order to adequately prepare for implementation, and can be viewed on the AICPA's website under [recently issued ASB standards – not yet effective](#).