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Relationship of generally accepted auditing standards to quality control standards; Statement on auditing standards, 025

American Institute of Certified Public Accountants. Auditing Standards Board

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The Relationship of Generally Accepted Auditing Standards to Quality Control Standards

(Supersedes Statement on Auditing Standards No. 4, Quality Control Considerations for a Firm of Independent Auditors)¹

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

2. A firm of independent auditors also needs to comply with generally accepted auditing standards in conducting an audit practice. Thus, a firm should establish quality control policies and procedures to provide it with reasonable assurance of conforming 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.

¹The elements of quality control identified in SAS No. 4 have been incorporated in the body of Statement on Quality Control Standards 1, *System of Quality Control for a CPA Firm*, issued by the AICPA Quality Control Standards Committee—the senior technical committee of the Institute designated to issue pronouncements on quality control standards.

3. 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.

The Statement entitled "The Relationship of Generally Accepted Auditing Standards to Quality Control Standards" was adopted unanimously by the fourteen members of the board.

Auditing Standards Board (1978-1979)

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Note: *Statements on Auditing Standards are issued by the Auditing Standards Board, the senior technical body of the Institute designated to issue pronouncements on auditing matters. Rule 202 of the Institute's Code of Professional Ethics requires adherence to the applicable generally accepted auditing standards promulgated by the Institute. It recognizes Statements on Auditing Standards as interpretations of generally accepted auditing standards and requires that members be prepared to justify departures from such Statements.*