

Breaking down SAS 145: A glance at the changes

To address gaps in risk assessments and improve overall audit quality, the AICPA Auditing Standards Board (ASB) issued SAS 145, which is effective for audits of financial statements for periods ending on or after December 15, 2023.

SAS 145 supersedes the existing guidance in AU-C. 315A, and amends other AU-C sections related to risk assessment and planning.

What does it all mean for audit firms? Here's a quick snapshot.

The changes ahead

While SAS 145 is not intended to fundamentally change the key concepts underpinning audit risk assessment, it does enhance and clarify aspects.

What's new

- New requirement to separately assess inherent risk and control risk.
- New requirement when control risk is assessed at the maximum level because the auditor does not plan to test the operating effectiveness of controls, to assess the combined risk of material misstatement at the same level as the inherent risk assessment.
- A new "stand-back" requirement intended to drive an evaluation of the completeness of the auditor's identification of significant classes of transactions, account balances, and disclosures.
- New and enhanced guidance on scalability that focuses on complexity of the entity rather than its size.
- New emphasis on maintaining professional skepticism.

What's revised

- Revised requirements relating to audit documentation.
- Revised requirements to evaluate the design of certain identified controls within the control activities component, including related general IT controls, and to determine whether such controls have been implemented.

What's defined

- SAS 145 defines a significant class of transactions, account balance, or disclosure, which can help firms clarify audit scope and improve efficiencies.
- Revised definition of significant risk so that auditors will focus on where the risk lies on a spectrum of inherent risk.

Key takeaways and next steps:



- The new standard places increased emphasis on the inherent risk assessment and introduces a spectrum of inherent risk.
- When looking to perform a substantive audit and set the control risk at high, your inherent risk assessment equals the risk of material misstatement and drives the audit response.
- On continuing engagements, you will need to reconsider prior year risk assessments in light of new and revised requirements.
- Consider adopting a "top-down" approach when determining significant classes of transactions, account balances, and disclosures.
- Substantive procedures are required for significant audit areas, not necessarily material audit areas — but remember the new "stand-back" requirement.
- Emphasize to your audit team the need to maintain professional skepticism when performing risk assessment procedures and evaluating the results.

Ready to tackle the latest changes in auditing standards? Explore our blog series on SAS 145 and dive deeper into new terminology and requirements and our recommendations for best practices.

[Explore SAS 145 details](#)