

Agenda Item 6

Standing Advisory Group Meeting

June 21-22, 2004

**Prioritization and Review of Existing Auditing, Attestation, and
Independence Standards,
Including Consideration of New Standards**

Introduction

The Standing Advisory Group ("SAG") will commence an ongoing project to review existing auditing and attestation standards. This paper contains background information on this topic. In addition, the SAG will commence a review of existing independence standards.

Section 103(a) of the Sarbanes-Oxley Act ("Act") gives the PCAOB authority to establish and amend auditing and attestation standards to be used by registered public accounting firms in preparation and issuance of audit reports. In April 2003, the Public Company Accounting Oversight Board ("PCAOB" or the "Board") adopted the AICPA Standards on Auditing Statements and Statements on Standards for Attestation Engagements as they existed on April 16, 2003 as interim auditing and attestation standards (PCAOB Rule 3200T and 3300T, respectively).

The primary goal of the PCAOB's Office of the Chief Auditor ("OCA") is to develop high quality professional auditing and related professional practice standards in the public interest. In doing so, the OCA anticipates this will contribute to the quality of public company audits, enhance the stature of the auditing profession, and increase confidence in the capital markets.

The PCAOB requires auditors of public companies to achieve specified objectives and, in some cases, to perform specified tasks or procedures. These

This paper was developed by the staff of the Office of the Chief Auditor in order to foster discussion among the members of the SAG. It is not a statement of the Board; nor does it necessarily reflect the views of the Board or PCAOB staff.

requirements are based on the presumption that independent auditors are professionals who possess the necessary knowledge, training, and experience to make informed professional judgments. When these requirements refer to a matter involving professional judgment, that reference means that the auditor is expected to exercise reasonable and appropriate judgment in the circumstances. The exercise of sound professional judgment is an essential feature of an independent audit. The decisions made in exercising professional judgment are subject to subsequent evaluation of whether the auditor has met the tests of reasonableness and appropriateness in the circumstances.

The goal of the OCA in developing standards of the PCAOB is to have each pronouncement achieve the measures of being reasonable, clear and concise, and specific and definitive. The objective in writing the standards is to articulate reasonable requirements that auditors must meet. If the requirements are clear, in the form of a reasonable objective that must be achieved or a specific task that must be performed, then the auditor that diligently adheres to the standards of the PCAOB should have no difficulty demonstrating compliance with these standards.

The OCA has conducted a preliminary review of the interim auditing and attestation standards and has identified the following areas as possible standards development projects in order to facilitate a discussion by the SAG of appropriate prioritization. The attached appendix contains a brief summary of the interim auditing and attestation standards. The OCA is also seeking advice from the SAG on priorities relating to auditor ethics and independence.

Areas Requiring Immediate Attention

The PCAOB is currently engaged in the following standards development projects—

- **Generally Accepted Auditing Standards (AU sec. 150).** PCAOB Auditing Standard No. 1, *References in Auditors' Reports to the Standards of the Public Company Accounting Oversight Board*, was approved by the SEC in May and became effective on May 24, 2004. Auditors' reports will, from now on, refer to the standards of the PCAOB as opposed to generally accepted auditing standards ("GAAS"). Therefore, it is now appropriate for the PCAOB staff to determine what authority interpretive publications and other auditing publications should have according to the standards of the PCAOB. A separate briefing paper (agenda item 5) discusses the hierarchy of auditing standards.

- ***The Relationship of Generally Accepted Auditing Standards to Quality Control Standards (AU sec. 161).*** This AU section describing the relationship between GAAS and quality control standards may be superseded upon issuance of a PCAOB quality control standard. A separate briefing paper (agenda item 11) discusses the issues relevant to a quality control system for a registered public accounting firm.
- ***Communication with Audit Committees (AU sec. 380) and Appointment of the Independent Auditor (AU sec. 310).*** The Act established a number of new requirements related to audit committees. Existing auditing standards, in general, do not deal comprehensively with the relationship between the auditor and the audit committee. A separate briefing paper (agenda item 10) discusses the pertinent issues.
- ***Other Information in Documents Containing Audited Financial Statements (AU sec. 550).*** This standard describes the auditor's responsibility in reviewing other information in documents, such as annual reports containing audited financial statements. The auditor is required to read the other information and consider whether such information is materially inconsistent with the information appearing in the audited financial statements. A separate briefing paper (agenda item 8) addresses this and other issues, such as information in earnings releases, in a broader context with respect to the auditor's responsibility for communications to investors containing financial information.

Other Areas of Priority Status

The OCA has reviewed the existing auditing and attestation standards and has developed a preliminary plan of action for priorities related to standards development in the near term. The following areas merit discussion—

- ***Financial Fraud (AU sec. 316).*** The Public Oversight Board's Panel on Audit Effectiveness ("Panel") has recommended providing more definitive guidance with respect to related parties and transactions with these parties and with respect to auditing unusual loss reserves. In addition, the OCA is interested in understanding whether the AICPA's standard on fraud, SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*, effective for audits of financial statements for periods beginning on or after December 15, 2002, is sufficiently improving audit quality. Although the Panel suggested several recommendations that the AICPA did not

ultimately include in SAS No. 99, we will review the results of the 2004 inspections and see if these or other areas need to be reconsidered.

- **The Confirmation Process (AU sec. 330).** The Panel recommended to the AICPA's Auditing Standards Board ("ASB") in their August 2000 report that the confirmation standard should be clarified "to address the circumstances in which confirmation of the terms of transactions should be required. The terms of revenue transactions should be confirmed whenever the transactions are individually significant and the risks associated with revenue recognition or the existence of receivables are high. This might be appropriate even if the auditor believes that confirmation of balances is ineffective."^{1/}

In November 2003, in response to the Panel's recommendation and Practice Alert 2003-001, *Audit Confirmations* issued by the AICPA Professional Issues Task Force, the ASB sent a list of recommendations to the PCAOB. These recommendations for the revision of SAS No. 67, *The Confirmation Process*, include the use of client personnel in connection with confirmations and the auditor's response if management requests that the auditor not confirm certain accounts.

Shortly thereafter, in December 2003, some suggested that an inappropriate use of confirmations had contributed to an alleged audit failure at Parmalat.

AU sec. 330 requires confirmation of material accounts receivable balances. However, the auditor is not required to confirm accounts receivable if the "use of confirmations would be ineffective." Further, this standard encourages, but does not require, the auditor to confirm both the terms of the agreements and whether any oral modifications exist when the auditor believes there is moderate or high degree of risk that there may be significant oral modifications.

Based on the recommendations from both the Panel and the ASB, together with recent alleged accounting failures regarding the inappropriate use of confirmations, the PCAOB is seeking advice from the SAG on whether the confirmation process should be considered a high priority in the PCAOB's standard-setting activities.

^{1/} See "The Panel on Audit Effectiveness, Report and Recommendations, (August 31, 2000)," pages 47-48.

Discussion Questions –

1. Should the PCAOB consider a new standard to supersede the existing standard on confirmations?
 2. Should the use of confirmations be mandatory for cash, accounts receivable, and similar material accounts that present areas of higher risk?
 3. Should more definitive guidance be provided with respect to the use of side-letter agreements or similar arrangements that could result in inappropriately recognizing revenue?
- **Risk Assessment (AU sec. 311 and 312).** The auditing literature has not been substantively revised in many years. In today's environment, the auditor's knowledge of the issuer's business may not be extensive enough to adequately challenge management's representations. The ASB and the International Auditing and Assurance Standards Board ("IAASB") have proposed revised and new standards, one of the stated objectives of which is to promote substantial improvement in auditors' assessments of risks.

In December 2002, the ASB issued an exposure draft of seven proposed audit standards relating to the auditor's risk assessment process. The primary objective of the proposed standards was to enhance auditors' application of the audit risk model in practice by requiring–

- More in-depth understanding of the entity and its environment, including its internal control.
- More rigorous assessment of the risks of material misstatement of the financial statements based on that understanding.
- Improved linkage between the assessed risks and the nature, timing, and extent of audit procedures performed in response to those risks.

The proposed auditing standards were the outcome of a joint project of the ASB and the IAASB. The IAASB simultaneously exposed proposed international standards on auditing which were essentially the same in substance, with the exception of the extent of additional requirements included in the ASB auditing standards to conform to other U.S. standards. In October 2003, the IAASB released final international auditing standards

"to improve audit quality worldwide by requiring auditors to perform better risk assessments." To date, the ASB has not released final auditing standards but is scheduled to finalize the standards by the end of 2004.

As a part of a project in these areas, the staff might consider both the ASB's proposed and IAASB's final standards.²

Discussion Questions –

4. Should the PCAOB develop a proposed standard(s) addressing the risk assessment process?
5. Are there any areas in which auditors should place greater or lesser emphasis on risk assessments?

Client Representations (AU sec. 333). As stated in paragraph 02 of AU sec. 333, "During an audit, management makes many representations to the auditor, both oral and written, in response to specific inquiries or through the financial statements. Such representations from management are part of the evidential matter the independence auditor obtains, but they are not a substitute for the application of those auditing procedures necessary to afford a reasonable basis for an opinion regarding the financial statements under audit." Although the standard indicates that management representations should not substitute for external evidence, some auditors may place undue reliance on representations from management in lieu of obtaining other more reliable audit evidence.

Paragraph 09 of AU sec. 333 states that the auditor should obtain representations from management "signed by those members of management whom the auditor believes are responsible for and knowledgeable, directly or through others in the organization, about the matters covered by the representations. Such members of management

^{2/} The ASB's proposed standard can be obtained at at the AICPA's website: (<http://www.aicpa.org/members/div/auditstd/auditrisk120202.asp>). IAASB's final standards, International Standards on Auditing ("ISA") No. 315, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, ISA No. 330, *The Auditor's Procedures in Response to Assessed Risks*, and ISA No. 500, *Audit Evidence*, are included in International Federation of Accountants's ("IFAC") 2004 edition of the *Handbook of International Auditing, Assurance, and Ethics Pronouncements*, and can be obtained from the IFAC's website (<http://www.ifac.org>).

normally include the chief executive officer and chief financial officer or others with equivalent positions in the entity." This standard does not currently require the auditor to consider obtaining representation letters from individuals below the level that is currently required, although many auditors may consider obtaining such letters to be appropriate.

Discussion Questions –

6. Should the PCAOB develop a proposed standard to supersede AU sec. 333 that provides additional warning that management representations are an extremely weak form of evidence and that the auditor must substantiate those representations through other audit procedures?
 7. Should the auditing standard on client representations provide definitive instructions as to what members of management should provide the written representations or require representations from other members of management, for example, management at the subsidiary/division level?
- ***Using the Work of a Specialist (AU sec. 336).*** The ASB currently has a project on its agenda to consider recommending revisions to this current auditing standard because of the increased use of specialists since the auditing standard was originally issued. In addition, the ASB has expressed "concerns regarding the consistency and sufficiency of auditing guidance on the use of specialists. Some of the concerns stem from the various roles of a specialist (member of the engagement team, consultant to the auditor, independent [not a related party] consultant to the client, or employee to the client) and the nature and extent of audit work necessary when the auditor intends to use the work of the specialist. Other concerns relate to the use of specialist in areas that may be very complex such as information technology, fair value measurements, and valuations in highly specialized industries."^{3/}

The ASB task force on this subject has developed two draft standards on Auditing Standards to illustrate its recommendations, which include–

- *Using an Outside Specialist to Assist in the Audit and*

^{3/} Excerpt from February 2004 ASB agenda materials, which can be found on the AICPA's web site at <http://www.aicpa.org/members/div/auditstd/agenda20040224.asp>.

- *Using the Work of Management's Nonemployee Specialist.*

The ASB's task force is not addressing situations in which a firm uses a specialist within the firm, such as the use of information technology specialists, although the Panel's report addressed the auditor's need for information technology specialists, as follows:

Increasingly, auditors will find it necessary to understand fully the risks associated with new and advanced business information systems, and the controls that are needed to respond to those risks. Auditors also will find that they must expand their technological knowledge and skills, devise more effective audit approaches by taking advantage of technology and design different types of audit tests to respond to new business processes. Highly skilled technology specialists will become even more essential members of audit engagement teams...Technology specialists will need to work with auditors as a team. However, auditors cannot cede addressing all technology matters to technology specialists, and in turn technology specialists will require a better understanding of auditing.

The draft standards provide guidance for situations in which the auditor uses the work of a specialist, but not when the auditor must use the work of a specialist.

Discussion Questions –

8. Should the PCAOB develop a proposed standard to supersede AU sec. 336?
 9. Should an auditing standard on the use of specialists provide definitive instructions as to when the auditor is required to use the work of specialists?
- ***Consistency of Application of GAAP (AU sec. 420).*** The Financial Accounting Standards Board ("FASB") issued an exposure draft in December 2003 that would require companies to restate their financial statements when implementing a newly effective FASB accounting standard. Users of the financial statements may not understand the difference between a restatement due to the adoption of a new FASB standard and a restatement that corrects a material misstatement in

previously issued financial statements. To address this concern, AU sec. 420, which requires a separate explanatory paragraph in the auditor's report when a company makes certain changes in accounting principles, could be amended. An amended AU sec. 420 could require a paragraph in the auditor's report to explain that the restatement occurred because of the company's required adoption of a newly effective FASB accounting standard.

Discussion Questions –

10. Should the PCAOB amend AU sec. 420 for auditors' reports that address a restatement of financial statements due to the adoption a new standard from the FASB?
 11. Should the PCAOB consider this issue in connection with a broader project to consider other aspects of auditors' reports?
- **Related Parties (AU sec. 334).** Enron and other recent financial scandals have heightened concerns about related party transactions and the auditor's work related to identifying related parties and related party transactions. Paragraph 04 of AU sec. 334 states that an audit "cannot be expected to provide assurance that all related party transactions will be discovered." Paragraph 05 of AU sec. 334 further states that "Experience has shown, however, that business structure and operating style are occasionally deliberately designed to obscure related party transactions." The existing standard requires auditors to identify and ensure disclosure of related party transactions. However, the procedures could be improved to ensure that the auditor does more to identify undisclosed related parties and gains a more complete understanding of related party transactions, including the business aspects of the transactions.

Discussion Questions –

12. Should the PCAOB consider a proposed standard to supersede AU sec. 334?
- **Materiality (AU sec. 312).** This interim auditing standard provides general instructions relating to the auditors' evaluation of the quantitative materiality of audit differences. When the evaluation relates to audit differences affecting more than one period, however, auditors may need more specific and definitive direction to evaluate these audit differences.

There are two alternative methods of evaluation used in practice—called the iron curtain and rollover approaches—that can have dramatically different results. A more specific evaluation process could provide more consistency in the analysis and may be more informative to members of management as well as audit committees.

Discussion Questions –

13. Should the PCAOB consider a separate project on materiality?
 14. Should the PCAOB provide definitive guidance on evaluating audit differences?
 15. Should the PCAOB provide specific direction on qualitative considerations, including evaluation of the materiality of inadequate disclosures?
- ***Auditing Accounting Estimates (AU sec. 342)***. This standard directs the auditor to obtain and evaluate sufficient competent evidence to support significant accounting estimates (for example, allowance for bad debts) contained in the financial statements. However, there is little authoritative guidance for auditing reserve accounts that contain significant estimates of management. Examples include reserves for restructuring costs, impairments, discontinued operations, and environmental contingencies.

Discussion Questions –

16. Should the PCAOB consider a separate standard on auditing restructuring or similar reserve accounts?
 17. Should the auditing standards provide specific direction in auditing assumptions and judgments?
- ***Illegal Acts by Clients (AU sec. 317)***. According to directions in this standard, the auditor's responsibility is "to detect and report misstatements resulting from illegal acts having a *direct and material effect* on the determination of financial statement amounts." (emphasis added) Some auditors may use this limitation on the auditor's responsibility (only those illegal acts having a direct and material effect) as a basis to limit their efforts to detect illegal acts. In contrast, the IAASB's standard, *Consideration of Laws and Regulations in an Audit of Financial*

Statements, addresses the auditor's responsibilities with respect to the detection of any illegal acts.

Among other specific procedures required of auditors under Section 10A of the Securities Exchange Act of 1934 ("Section 10A"), an auditor is required to include "procedures designed to provide reasonable assurance of detecting illegal acts that would have a direct and material effect on the determination of financial statement amounts."

Also, under Section 10A an auditor has certain reporting obligations if, during the course of an audit, her or she becomes aware of a possible "illegal act" – defined as "an act or omission that violates any law, or any rule or regulation." Further, Section 10A requires a report to be submitted to the SEC when the auditor detects a likely illegal act that could have a material impact on a company's financial statements and if management or the board does not take appropriate action to remedy the situation. On September 3, 2003, at the request of Congressman John D. Dingell, the U.S. General Accounting Office issued an updated report on reporting under Section 10A of the Securities Exchange Act of 1934. As of May 15, 2003, the SEC had received only 29 such "10A letters."

Discussion Questions –

18. Should the PCAOB draft a new standard to supersede AU sec. 317?
 19. Should an auditor be responsible for detecting and reporting all illegal acts that have a material effect on the financial statements?
 20. Should any proposed standard provide specific direction for discharging the auditor's obligations under section 10A?
- ***Auditing Fair Value Measurements and Disclosures (AU sec. 328).*** Although this standard became effective this past year (effective for audits of financial statements for periods beginning on or after June 15, 2003), there may be some issues that should be addressed in the near term. For example, when fair value cannot be measured by reference to quoted market prices in active markets, the entity estimates fair value using a valuation method. In these circumstances, the auditor should obtain evidence that is adequate to determine whether the entity's method of measurement is appropriate and whether management's related assumptions are reasonable and suitably supported. However, AU sec.

328 does not provide any specific and definitive requirements on the auditor's objectives and procedures when the entity uses a valuation method to estimate fair value. Rather, it describes matters the auditor should consider. As a general matter, because the standard uses few imperatives, some of the most critical audit areas are dealt with by describing what the auditor generally does rather than what the auditor must or should do to respond to the risk of material misstatement.

Discussion Questions –

21. Should the PCAOB amend AU sec. 328?
22. Should the auditing standards provide specific direction on the audit objectives and procedures that are appropriate when auditing management's valuation techniques?

Auditor Independence and Ethics

Section 103(b) of the Act gives the PCAOB authority to establish future ethics and independence standards and rules. In April 2003, the PCAOB adopted the AICPA's Code of Professional Conduct Rule 101, 102, 191 and interpretations as they existed on April 16, 2003, as its interim independence and ethics standards (PCAOB Rule 3500T and 3600T).^{4/} The PCAOB also adopted ISB Standards Nos. 1, 2, and 3 and Interpretations 99-1, 00-1, and 00-2 as interim independence standards.

Discussion Questions –

23. Are there ways to improve the PCAOB interim ethics standards?
24. Are there ways to improve the PCAOB independence standards?

^{4/} The AICPA December 2003 auditor independence rule changes are not considered part of the PCAOB interim standards because they were adopted by the AICPA after April 2003. PCAOB Rule 3600T also noted that the interim standards do not supersede the SEC's auditor independence rules and, to the extent that a provision of the SEC's rule is more restrictive (or less restrictive) than the interim standards, the auditor must comply with the more restrictive rule.



AUDITING STANDARDS

AU Sec.	Title	Brief Description
Introduction		
110	Responsibilities and Functions of the Independent Auditor	Describes the distinction between the responsibilities of the auditor and company's management. Describes professional obligations of the auditor.
150	Generally Accepted Auditing Standards	Introduces the 10 auditing standards: 3 general standards, 3 standards of field work, and 4 standards of reporting. Describes the level of authority for interpretive and other publications.
161	The Relationship of Generally Accepted Auditing Standards to Quality Control Standards	Describes the auditor's responsibility to comply with GAAS and to establish a system of quality control in their audit practice. Describes the relationship between GAAS and quality control standards.
General Standards		
201	Nature of the General Standards	Describes the nature of the 10 auditing standards.



AU Sec.	Title	Brief Description
210	Training and Proficiency of the Independent Auditor	First general standard (as outlined in AU sec. 150). Requires the auditor to obtain adequate training and proficiency to perform the audit.
220	Independence	Second general standard (as outlined in AU sec. 150). Requires the auditor to be independent with respect to the audit client.
230	Due Professional Care in the Performance of Work	Third general standard (as outlined in AU sec. 150). Requires the auditor to use due professional care when performing an audit. Describes professional skepticism and reasonable assurance.
Standards of Field Work		
310	Appointment of the Independent Auditor	Discusses the requirements of appointing the auditor and establishing an understanding between the client and the auditor regarding their specific respective responsibilities during an audit.
311	Planning and Supervision	First standard of field work (as outlined in AU sec. 150). Requires the auditor to adequately plan and properly supervise the audit.

AU Sec.	Title	Brief Description
312	Audit Risk and Materiality in Conducting an Audit	Describes the auditor's responsibility to consider audit risk and materiality during planning and performing the audit. Describes evaluating audit risk and materiality at the financial statement level and individual account-balance or class-of-transactions level. Describes evaluating the audit findings.
313	Substantive Tests Prior to the Balance-Sheet Date	Describes substantive tests to be performed prior to the balance sheet date, extending the audit conclusions from the date the substantive tests were performed to the balance sheet date, and coordinating the timing of auditing procedures.
315	Communications Between Predecessor and Successor Auditors	Describes communications between the predecessor and successor auditors upon a change of auditors.
316	Consideration of Fraud in a Financial Statement Audit	Describes the auditor's responsibility to detect financial statement misstatements resulting from fraud.
317	Illegal Acts by Clients	Describes the auditor's responsibility for detecting financial statement misstatements resulting from illegal acts.

AU Sec.	Title	Brief Description
319	Consideration of Internal Control in a Financial Statement Audit	Second standard of field work (as outlined in AU sec. 150). Describes the auditor's responsibility to obtain a sufficient understanding of the company's internal control system to determine the nature, timing, and extent of tests to be performed during the audit.
322	The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements	Describes the auditor's responsibility to consider the work of internal auditors and the use of internal auditors to assist in the performance of the audit.
324	Service Organizations	Describes the auditor's responsibility to consider the financial statement audit effects when the client uses a service organization to process certain transactions. Describes the auditor's responsibility when issuing a report on the processing of certain transactions by a service organization for use by other auditors.
325	Communication of Internal Control Related Matters Noted in an Audit	Describes the auditor's responsibility for identifying and communicating internal control issues observed during an audit.
326	Evidential Matter	Third standard of field work (as outlined in AU sec. 150). Requires the auditor to obtain sufficient competent evidential matter during an audit to support the auditor's

AU Sec.	Title	Brief Description
328	Auditing Fair Value Measurements and Disclosures	conclusions. Describes assertions to be used to evaluate audit evidence. Establishes standards and provides guidance for auditing fair value measurements and disclosures contained in financial statements.
329	Analytical Procedures	Describes the auditor's responsibility to use analytical procedures as part of the planning of the audit, during the audit as substantive test, and part of the overall review of the audit.
330	The Confirmation Process	Describes the confirmation process and the auditor's responsibility to use confirmations during the audit to obtain third-party evidence.
331	Inventories	Requires the auditor to observe physical inventories during an audit.
332	Auditing Derivative Instruments, Hedging Activities, and Investments in Securities	Provides guidance to auditors in auditing derivatives, hedges and investments in securities.
333	Management Representations	Requires the auditor to obtain written management representations from management as part of an audit.

AU Sec.	Title	Brief Description
334	Related Parties	Describes the auditor's responsibility in identifying related parties and related party transactions in connection with an audit.
336	Using the Work of a Specialist	Provides guidance to auditors when using specialists in connection with an audit.
337	Inquiry of a Client's Lawyer Concerning Litigation, Claims, and Assessments	Describes the auditor's responsibility in addressing litigation, claims, and assessments.
339	Audit Documentation	Requires the auditor to properly document the procedures performed, evidence obtained, and conclusions reached in conducting an audit.
341	The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern	Requires the auditor to evaluate whether there is substantial doubt about the company's ability to continue as a going concern for a reasonable period of time.
342	Auditing Accounting Estimates	Describes the auditor's responsibility to obtain and evaluate sufficient competent evidence to support the company's significant accounting estimates.
350	Audit Sampling	Describes how the auditor may use audit sampling in performing substantive tests of details and tests of controls.



AU Sec.	Title	Brief Description
380	Communications With Audit Committees	Requires the auditor to communicate certain matters to the audit committee.
390	Consideration of Omitted Procedures After the Report Date	Describes the auditor's responsibility if, subsequent to the date of the auditor's report, the auditor concludes that one or more auditing procedures considered necessary at the time of the audit in the circumstances that existed were omitted from the audit, but there is no indication that the financial statements are not fairly presented.
Standards of Reporting		
410	Adherence to Generally Accepted Accounting Principles ("GAAP")	First standard of reporting (as outlined in AU sec. 150). Requires the auditor to state in the report whether the financial statements are presented in accordance with generally accepted accounting principles.
411	The Meaning of <i>Present Fairly in Conformity With GAAP</i>	Describes the meaning of the term "present fairly in conformity with GAAP."
420	Consistency of Application of GAAP	Second standard of reporting (as outlined in AU sec. 150). Requires the auditor to consistently report the proper application of GAAP for comparability of financial statements between periods.

AU Sec.	Title	Brief Description
431	Adequacy of Disclosure in Financial Statements	Third standard of reporting (as outlined in AU sec. 150). Describes the auditor's responsibility for adequate disclosure of material matters.
504	Association With Financial Statements	Describes the definition of how the auditor is "associated" with the company's financial statements.
508	Reports on Audited Financial Statements	Fourth standard of reporting (as outlined in AU sec. 150). Describes the types of audit reports - unqualified opinion, qualified opinion, adverse opinion and disclaimer of opinion. Describes piecemeal opinions and reports on comparative financial statements.
530	Dating of the Independent Auditor's Report	Requires the auditor to use the completion of field work date as the date of the independent auditor's report.
532	Restricting the Use of an Auditor's Report	Provides guidance to auditors about how to restrict the use of auditor's reports.
534	Reporting on Financial Statements Prepared for Use in Other Countries	Describes the auditor's responsibility for reporting on financial statements prepared in conformity with accounting principles generally accepted in another country.

AU Sec.	Title	Brief Description
543	Part of Audit Performed by Other Independent Auditors	Describes the auditor's responsibility in making reference to other independent auditors in the auditor's report.
544	Lack of Conformity With GAAP	Provides guidance to auditors in applying GAAP to audits of regulated companies.
550	Other Information in Documents Containing Audited Financial Statements	Describes the auditor's responsibility in reviewing other information in documents, such as annual reports, containing audited financial statements.
551	Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents	Provides guidance to the auditor on the form and content of reporting on documents that contain information in addition to the basic financial statements and the related auditor's report.
552	Reporting on Condensed Financial Statements and Selected Financial Data	Describes the auditor's responsibility in reporting on condensed financial statements and selected financial data.
558	Required Supplementary Information	Describes the auditor's responsibility in applying certain procedures to supplementary information required by the Financial Accounting Standards Board, Government Accounting Standards Board, and Federal Accounting Standards Advisory Board.

AU Sec.	Title	Brief Description
560	Subsequent Events	Describes different types of subsequent events and the procedures the auditor is required to perform during the subsequent period.
561	Subsequent Discovery of Facts Existing at the Date of the Auditor's Report	Describes the auditor's responsibility for performing certain procedures if the auditor becomes aware of facts that may have existed at the date of the auditor's report which might have affected the auditor's report had the auditor been aware of these facts.
Other Types of Reports		
623	Special Reports	Describes the types of special reports the auditor may issue.
625	Reports on the Application of Accounting Principles	Describes the auditor's responsibility on providing advice on the application of specific accounting principles.
634	Letters for Underwriters and Certain Other Requesting Parties	Describes the auditor's responsibility in issuing comfort letters.
Special Topics		
711	Filings Under Federal Securities Statutes	Describes the auditor's responsibility in complying with

AU Sec.	Title	Brief Description
		specific requirements when company documents, such as registration or proxy statements, are filed under the federal securities statutes.
722	Interim Financial Information	Describes the auditor's responsibility regarding the nature, timing, and extent of procedures to be performed when reviewing interim financial information.
801	Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance	Describes the auditor's responsibility when auditing a governmental entity.
901	Public Warehouses - Controls and Auditing Procedures	Describes the auditor's responsibility when auditing the controls in place with respect to goods located in a public warehouse's custody.



ATTESTATION STANDARDS

AT Sec.	Title	Brief Description
101	Attest Engagements	Defines and describes various attestation engagements. Describes the 11 attestation standards – 5 general standards, 2 standards of field work, and 4 standards of reporting.
201	Agreed-Upon Procedures Engagements	Describes the auditor's responsibility in performing and reporting on agreed-upon procedures. Defines agreed-upon procedures; the nature, timing, and extent of procedures to be performed by the auditor; and the type of report to issue in connection with such engagements.
301	Financial Forecasts and Projections	Describes the auditor's responsibility in performing and issuing an examination, compilation, or agreed-upon procedures report on prospective financial statements.
401	Reporting on Pro Forma Financial Information	Describes the auditor's responsibility in performing and issuing an examination or a review report on pro forma financial information.

AT Sec.	Title	Brief Description
501	Reporting on an Entity's Internal Control Over Financial Reporting	Describes the auditor's responsibility in issuing an examination report on the effectiveness of an entity's internal control over financial reporting as of a point in time.
601	Compliance Attestation	Provides directions for auditors for engagements related to either (a) an entity's compliance with requirements of specific laws, regulations, rules, contracts, or grants, or (b) the effectiveness of an entity's internal control over compliance with specific requirements.
701	Management's Discussion and Analysis	Describes the auditor's responsibility in performing an engagement with respect to management's discussion and analysis, which are presented in annual reports to shareholders and in other documents.