

## PCAOB Adopts New Auditing Standards Related to Risk Assessment

August 27, 2010

**Dear clients and friends:**

The **Public Company Accounting Oversight Board (PCAOB)** on August 5 adopted eight auditing standards related to an auditor's assessment of, and response to, the risk of material misstatement in an audit.

In a **news release**, the PCAOB said that the new Auditing Standards (No. 8 through No. 15) set forth "requirements that enhance the effectiveness of the auditor's assessment of, and response to, the risks of material misstatement in the financial statements."

The standards, if approved by the SEC, will become effective for audits of fiscal periods beginning on or after December 15, 2010. Thus, the standards will be in effect for audits of entities with calendar year ends of December 31, 2011.

With the changes, public companies may see some of the audit process modified as auditors implement the new auditing standards.

In its news release, the PCAOB said that the risk assessment standards address audit procedures performed throughout the audit, from the initial planning stages through the evaluation of the audit results."

The news release provides details of the eight new auditing standards.

The standards pertain to:

- Audit Risk
- Audit Planning
- Supervision of the Audit Engagement
- Consideration of Materiality in Planning and Performing an Audit
- Identifying and Assessing Risks of Material Misstatement
- The Auditor's Response to the Risks of Material Misstatement
- Evaluating Audit Results
- Audit Evidence

Sincerely,



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