

PCAOB PROPOSES AUDITING STANDARD ON COMMUNICATIONS WITH AUDIT COMMITTEES, AMENDMENTS TO PCAOB INTERIM STANDARDS

Washington, D.C. , March 29, 2010

The PCAOB today proposed for comment an auditing standard on Communications with Audit Committees, and a series of related amendments to its interim standards.

The proposal addresses requirements for auditors to communicate with audit committees of public company boards of directors. The proposal considers a number of factors, including the importance of accounting judgments and estimates in financial reporting.

"The proposed standard on audit committee communications is intended to enhance the relevance and effectiveness of the communications between an auditor and audit committee throughout the course of an engagement," said PCAOB Acting Chairman Daniel L. Goelzer.

"The proposed standard contains appropriate requirements to achieve effective, two-way communication between the auditor and the audit committee, which we believe would improve audit quality," said Chief Auditor, Martin F. Baumann.

The PCAOB Standing Advisory Group has discussed auditors' communications with audit committees on several occasions and expressed support for a new standard that enhances the effectiveness of auditors' communications with audit committees, especially in the area of critical accounting estimates.

The proposed standard includes a requirement for the auditor to establish a mutual understanding of the terms of the audit engagement with the audit committee and to document that understanding in an engagement letter. The proposal also includes requirements relating to:

- Communication of an overview of the audit strategy, including a discussion of significant risks, the use of the internal audit function; and the roles, responsibilities, and location of firms participating in the audit;
- Communication regarding critical accounting policies, practices, and estimates;
- Communication regarding the auditor's evaluation of a company's ability to continue as a going concern; and,
- Evaluation by the auditor of the adequacy of the two-way communications.

The proposed auditing standard would supersede PCAOB interim standard AU sec. 380, Communication With Audit Committees, and AU sec. 310, Appointment of the Independent Auditor, and amend a number of other interim standards. Any new auditing standard and amendments to the interim auditing standards that is adopted by the PCAOB will be submitted to the Securities and Exchange Commission for approval.

Comments on the proposed standard and amendments are due May 28, 2010.

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