

COMPARISON OF PROPOSED AS 1000 WITH ISA 200 and AU-C 200

On March 28, 2023, the Public Company Accounting Oversight Board (“PCAOB” or “Board”) proposed a new standard, AS 1000, *General Responsibilities of the Auditor in Conducting an Audit* (“AS 1000”), PCAOB Release No. 2023-001.

This comparison document was prepared by staff of the Office of the Chief Auditor as a reference tool for the proposed standard presented in Appendix 1 of the PCAOB release. This document represents the views of PCAOB staff and not necessarily those of the Board. It is not a rule, policy, or statement of the Board. The table below maps the proposed text of AS 1000 against the requirements of the analogous standards:

- The International Auditing and Assurance Standards Board (“IAASB”) - *International Standards on Auditing 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing* (“ISA 200”); and
- The Auditing Standards Board (“ASB”) of the AICPA - *AU-C Section 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards* (“AU-C 200”).

The comparison may not reflect the views of the IAASB or AICPA regarding the interpretation of their standards. Additionally, the IAASB and ASB requirements are accompanied by application and other explanatory materials that provide further guidance on those standards. Because these materials are not part of the requirements,¹ they are not included in the comparison. Where a paragraph from ISA 200 or AU-C 200 corresponds to more than one paragraph of the new proposed standard, the paragraph from ISA 200 or AU-C 200 has been included, in full, once within the comparison with further references to the applicable paragraph included by notation only (e.g., “[See above paragraph 3 of ISA 200]”).

INTRODUCTION

Proposed AS 1000	ISA 200	AU-C 200
.01 Auditors have a fundamental obligation to protect	3. The purpose of an audit is to enhance the degree	.04 The purpose of an audit is to provide financial

¹ Paragraph A61. of ISA 200 and paragraph A64. of AU-C 200 state that, although application and other explanatory material does not, in itself, impose a requirement, it is relevant to the proper application of the requirements.

Proposed AS 1000	ISA 200	AU-C 200
<p>investors through the preparation and issuance of informative, accurate, and independent auditor’s reports, and that obligation governs the auditor’s work under the standards of the PCAOB. An audit primarily benefits investors, who rely on the audit to provide an objective and independent opinion on whether the company’s financial statements are presented fairly and, if applicable, on the effectiveness of the company’s internal control over financial reporting. A properly conducted audit and the related auditor’s report enhance the confidence of investors and other market participants in the company’s financial statements and, if applicable, internal control over financial reporting.</p>	<p>of confidence of intended users in the financial statements. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. In the case of most general purpose frameworks, that opinion is on whether the financial statements are presented fairly, in all material respects, or give a true and fair view in accordance with the framework. An audit conducted in accordance with ISAs and relevant ethical requirements enables the auditor to form that opinion. (Ref: Para.A1)</p>	<p>statement users with an opinion by the auditor on whether the financial statements are presented fairly, in all material respects, in accordance with an applicable financial reporting framework, which enhances the degree of confidence that intended users can place in the financial statements. An audit conducted in accordance with GAAS and relevant ethical requirements enables the auditor to form that opinion. (Ref: par .A1)</p>
<p>.02 This standard describes the general principles and responsibilities of the auditor in properly conducting an audit in accordance with the standards of the Public Company Accounting Oversight Board (“PCAOB”). This standard sets out the objectives of the auditor, establishes requirements for the auditor’s professional qualifications and the auditor’s general responsibilities applicable in all audits, and describes auditing principles relevant to conducting the audit.</p>	<p>1. This International Standard on Auditing (ISA) deals with the independent auditor’s overall responsibilities when conducting an audit of financial statements in accordance with ISAs. Specifically, it sets out the overall objectives of the independent auditor, and explains the nature and scope of an audit designed to enable the independent auditor to meet those objectives. It also explains the scope, authority and structure of the ISAs, and includes requirements establishing the general responsibilities of the independent auditor applicable in all audits, including the obligation to comply with the ISAs. The independent auditor is referred to as “the auditor” hereafter.</p>	<p>.01 This section addresses the independent auditor's overall responsibilities when conducting an audit of financial statements in accordance with generally accepted auditing standards (GAAS). Specifically, it sets out the overall objectives of the independent auditor (the auditor) and explains the nature and scope of an audit designed to enable the auditor to meet those objectives. It also explains the scope, authority, and structure of GAAS and includes requirements establishing the general responsibilities of the auditor applicable in all engagements conducted in accordance with GAAS, including the obligation to comply with GAAS.</p>

OBJECTIVES OF THE AUDITOR

Proposed AS 1000	ISA 200	AU-C 200
<p>.03 The objectives of the auditor are as follows:</p> <ul style="list-style-type: none"> a. In an audit of financial statements – To (1) obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud; and (2) issue an auditor’s report that expresses an opinion about whether the financial statements, taken as a whole, are presented fairly, in all material respects, in conformity with the applicable financial reporting framework; b. In an audit of internal control over financial reporting – To (1) obtain reasonable assurance about whether, material weaknesses exist as of the date specified in management’s assessment; and (2) issue an auditor’s report that expresses an opinion on the effectiveness of the company’s internal control over financial reporting; and c. Communicate externally, as required by applicable professional and legal requirements.¹ <p>¹The term “applicable professional and legal requirements,” as used in this standard, has the same meaning as defined in Appendix A of [proposed QC 1000, <i>A Firm’s System of Quality Control</i>, PCAOB Release No. 2022-006 (Nov. 18, 2022)], which includes professional standards as defined in PCAOB Rule 1001(p)(vi) (i.e., certain accounting principles and other standards) and rules of the PCAOB that are not professional standards. This definition also includes</p>	<p>11. In conducting an audit of financial statements, the overall objectives of the auditor are:</p> <ul style="list-style-type: none"> (a) To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework; and (b) To report on the financial statements, and communicate as required by the ISAs, in accordance with the auditor’s findings. 	<p>.12 The overall objectives of the auditor, in conducting an audit of financial statements, are to</p> <ul style="list-style-type: none"> a. obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with an applicable financial reporting framework; and b. report on the financial statements, and communicate as required by GAAS, in accordance with the auditor’s findings.

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statutes with which the auditor is required to comply. <i>See, e.g.,</i> Section 10A of the Securities Exchange Act of 1934, 15 U.S.C. § 78j-1.		

PROFESSIONAL QUALIFICATIONS OF THE AUDITOR

Independence and Ethics

Proposed AS 1000	ISA 200	AU-C 200
<p>.04 The auditor must be independent of its audit client both in fact and in appearance throughout the audit and professional engagement period.² The auditor is not independent with respect to an audit client if the auditor is not, or a reasonable investor with knowledge of all relevant facts and circumstances would conclude that the auditor is not, capable of exercising objective and impartial judgment on all matters encompassed within the engagement.³</p> <p>²See PCAOB Rule 3501, <i>Definitions of Terms Employed in Section 3, Part 5 of the Rules</i>, for the definition of the term “audit and professional engagement period.”</p> <p>³See Regulation S-X Rule 2-01, 17 C.F.R. § 210.2-01.</p>	<p>14. The auditor shall comply with relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements.</p>	<p>.15 The auditor must be independent of the entity when performing an engagement in accordance with GAAS unless (a) GAAS provides otherwise or (b) the auditor is required by law or regulation to accept the engagement and report on the financial statements. When the auditor is not independent and neither (a) nor (b) are applicable, the auditor is precluded from issuing a report under GAAS.</p>
<p>.05 The auditor must satisfy the independence criteria set out in the rules and standards of the PCAOB, and satisfy all other independence criteria applicable to the engagement, including the independence criteria set out in the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) under the federal securities laws.⁴</p> <p>⁴See, e.g., Regulation S-X Rule 2-01, 17 C.F.R. § 210.2-01, and Section 3, Part 5 of PCAOB rules. To the extent that a provision of one rule is more restrictive than that of another rule, the auditor is required to comply with the</p>	<p>[See above paragraph 14 of ISA 200]</p>	<p>[See above paragraph 15 of AU-C 200]</p>

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more restrictive provision. <i>See</i> Rule 3500T, <i>Interim Ethics and Independence Standards</i> .		
<p>.06 The auditor must comply with applicable ethics requirements, including the rules and standards of the PCAOB.⁵</p> <p>⁵<i>See, e.g.</i>, Section 3, Part 5 of PCAOB rules; [proposed EI 1000, <i>Integrity and Objectivity</i>, PCAOB Release No. 2022-006].</p>	[See above paragraph 14 of ISA 200]	.16 The auditor should comply with relevant ethical requirements relating to financial statement audit engagements.

Competence

Proposed AS 1000	ISA 200	AU-C 200
<p>.07 The audit must be performed by an auditor who has the competence to conduct an audit in accordance with applicable professional and legal requirements.⁶ Competence consists of having the knowledge, skill, and ability that enable an auditor to perform the assigned activities in accordance with applicable professional and legal requirements and the firm’s policies and procedures. The measure of competence is qualitative rather than quantitative because quantitative measurement may not accurately reflect the experience gained over time.</p> <p>Note: Competence includes knowledge and expertise in accounting and auditing standards and SEC rules and regulations relevant to the company being audited and the related industry or industries in which it operates.</p> <p>⁶<i>See also</i> [proposed QC 1000.44c, PCAOB Release No. 2022-006 (providing, as a resource quality objective, that individuals who are assigned to engagements,</p>	N/A - Covered by the IESBA code, which sets out the fundamental principles of ethics that establish the standards of behavior expected of a professional accountant and establishes the International Independence Standards. The fundamental principles are integrity, objectivity, professional competence and due care, confidentiality and professional behavior.	N/A - As covered by the AICPA Code of Professional Conduct, all AICPA members are required to follow a rigorous Code of Professional Conduct, which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services.

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<p>including the engagement partner and engagement quality reviewer, have the competence, objectivity, and time to fulfill their responsibilities on such engagements in accordance with applicable professional and legal requirements and the firm’s policies and procedures]].</p>		
<p>.08 The auditor should develop and maintain competence through an appropriate combination of:</p> <ul style="list-style-type: none"> a. Academic education; b. Professional experience in accounting and auditing, with proper supervision;⁷ and c. Training, including accounting, auditing, independence, ethics, and other relevant continuing professional education.⁸ <p>⁷Paragraphs .05 and .06 of AS 1201, <i>Supervision of the Audit Engagement</i>, (as proposed to be amended) describe the nature and extent of supervisory activities necessary for proper supervision of engagement team members.</p> <p>⁸See also [proposed QC 1000.36 and .48, PCAOB Release No. 2022-006], for the requirements for the firm to provide mandatory training. In addition to mandatory training provided by the firm, auditors may need to undertake additional training to develop and maintain their competence.</p>	<p>N/A - Covered by the IESBA code, which sets out the fundamental principles of ethics that establish the standards of behavior expected of a professional accountant and establishes the International Independence Standards. The fundamental principles are integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.</p>	<p>N/A - As covered by the AICPA Code of Professional Conduct, all AICPA members are required to follow a rigorous Code of Professional Conduct, which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services.</p>

DUE PROFESSIONAL CARE, INCLUDING PROFESSIONAL SKEPTICISM

Proposed AS 1000	ISA 200	AU-C 200
<p>.09 The auditor must exercise due professional care in all matters related to the audit.⁹ Due professional care concerns what the auditor does and how well the auditor does it. Due professional care means acting with reasonable care and diligence, exercising professional skepticism, acting with integrity, and complying with applicable professional and legal requirements.¹⁰ For engagement partners,¹¹ due professional care includes (1) appropriately assigning responsibilities to,¹² and supervising,¹³ engagement team members;¹⁴ (2) determining that the audit is properly planned¹⁵ and performed to obtain reasonable assurance;¹⁶ (3) evaluating that significant findings or issues are appropriately addressed;¹⁷ (4) determining that significant judgments and conclusions on which the auditor's report is based are appropriate and supported by sufficient appropriate audit evidence,¹⁸ and (5) determining that required communications under applicable professional and legal requirements have been made.¹⁹</p> <p>⁹For audits that involve other auditors, the other auditors are responsible for performing their work with due professional care. The lead auditor's responsibilities for planning the audit and supervising the other auditors' work are set forth in AS 2101, <i>Audit Planning</i>, and AS 1201 (as proposed to be amended).</p> <p>¹⁰See also note to AS 1201.05b (as proposed to be amended).</p> <p>¹¹The term "engagement partner," as used in this standard, has the same meaning as defined in Appendix AS of AS 1201.</p>	<p>N/A - Covered by the IESBA code, which sets out the fundamental principles of ethics that establish the standards of behavior expected of a professional accountant and establishes the International Independence Standards. The fundamental principles are integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.</p>	<p>N/A - As covered by the AICPA Code of Professional Conduct, all AICPA members are required to follow a rigorous Code of Professional Conduct, which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services.</p>

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<p>¹²Paragraph .05 of AS 2301, <i>The Auditor’s Responses to the Risks of Material Misstatement</i>, establishes requirements regarding the assignment of engagement team members.</p> <p>¹³See AS 1201 (as proposed to be amended).</p> <p>¹⁴The term “engagement team,” as used in this standard, has the same meaning as defined in Appendix A of AS 2101. [As adopted by PCAOB and approved by SEC, see SEC Release No. 34-95488 (Aug. 12, 2022)]</p> <p>¹⁵See AS 2101.03, which describes the engagement partner’s responsibilities for planning an audit.</p> <p>¹⁶See paragraph .13 of this standard.</p> <p>¹⁷See paragraph .12 of AS 1215, <i>Audit Documentation</i>.</p> <p>¹⁸See AS 2810, <i>Evaluating Audit Results</i>.</p> <p>¹⁹See paragraph .20 of this standard.</p>		
<p>.10 Exercising due professional care includes exercising professional skepticism in conducting an audit. Professional skepticism is an attitude that includes a questioning mind and a critical assessment of information related to the audit.</p>	<p>13. For purposes of the ISAs, the following terms have the meanings attributed below:</p> <p>***</p> <p>(I) Professional skepticism – An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.</p> <p>***</p> <p>15. The auditor shall plan and perform an audit with</p>	<p>.14 For purposes of GAAS, the following terms have the meanings attributed as follows:</p> <p>***</p> <p>Professional skepticism. An attitude that includes a questioning mind, being alert to conditions that may indicate possible misstatement due to fraud or error, and a critical assessment of audit evidence.</p> <p>***</p> <p>.17 The auditor should plan and perform an audit with professional skepticism, recognizing that</p>

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	<p>professional skepticism recognizing that circumstances may exist that cause the financial statements to be materially misstated. (Ref: Para. A20–A24)</p>	<p>circumstances may exist that cause the financial statements to be materially misstated. (Ref: par .A22-. A26)</p>
<p>.11 The auditor’s exercise of professional skepticism includes:</p> <ul style="list-style-type: none"> a. Objective evaluation of evidence obtained in an audit (including information that supports and corroborates management’s assertions regarding the financial statements or internal control over financial reporting and information that contradicts such assertions), and consideration of the sufficiency and the appropriateness (i.e., relevance and reliability) of that evidence;²⁰ b. Remaining alert to conditions that may indicate possible misstatement due to error or fraud; c. Not relying on evidence that is less than persuasive; d. Not assuming that management is honest or dishonest; and e. Consideration of potential bias on the part of management and the auditor. <p>²⁰See AS 1105, <i>Audit Evidence</i>, which explains what constitutes audit evidence and establishes requirements regarding designing and performing audit procedures to obtain sufficient appropriate audit evidence.</p>	<p>[See above paragraph 15 of ISA 200]</p>	<p>[See above paragraph 17 of AU-C 200]</p>

PROFESSIONAL JUDGMENT

Proposed AS 1000	ISA 200	AU-C 200
<p>.12 The auditor must exercise professional judgment, which involves applying relevant training, knowledge, and experience to make informed decisions and reach well-reasoned conclusions about the courses of action that are appropriate in the circumstances such that the audit is planned and performed, and the report or reports are issued, in accordance with applicable professional and legal requirements.²¹</p> <p>²¹References to judgment of the auditor in other PCAOB standards have the same meaning as “professional judgment.” See, e.g., AS 1215.07, and paragraph .02 of AS 1220, <i>Engagement Quality Review</i>.</p>	<p>13. For purposes of the ISAs, the following terms have the meanings attributed below:</p> <p>***</p> <p>(k) Professional judgment – The application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.</p> <p>***</p> <p>16. The auditor shall exercise professional judgment in planning and performing an audit of financial statements. (Ref: Para. A25-A29)</p>	<p>14 For purposes of GAAS, the following terms have the meanings attributed as follows:</p> <p>***</p> <p>Professional judgment. The application of relevant training, knowledge, and experience, within the context provided by auditing, accounting, and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement.</p> <p>***</p> <p>.18 The auditor should exercise professional judgment in planning and performing an audit of financial statements. (Ref: par .A27-A31)</p>

CONDUCTING AN AUDIT

Proposed AS 1000	ISA 200	AU-C 200
<p>.13 The auditor must plan and perform the audit to obtain sufficient appropriate audit evidence to:</p> <p>a. Obtain reasonable assurance about whether:</p> <p>(1) In an audit of financial statements, the financial statements are free of material misstatement,²² whether due to error or fraud;²³</p> <p>(2) In an audit of internal control over</p>	<p>4. The financial statements subject to audit are those of the entity, prepared by management of the entity with oversight from those charged with governance. ISAs do not impose responsibilities on management or those charged with governance and do not override laws and regulations that govern their responsibilities. However, an audit in accordance with ISAs is conducted on the premise that management and, where appropriate, those charged with governance have acknowledged certain responsibilities that are fundamental to the conduct</p>	<p>.05 The financial statements subject to audit are those of the entity, pre-pared and presented by management of the entity with oversight from those charged with governance. GAAS do not impose responsibilities on management or those charged with governance and do not override laws and regulations that govern their responsibilities. However, an audit in accordance with GAAS is conducted on the premise that management and, when appropriate, those charged with governance have acknowledged</p>

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<p>financial reporting, material weaknesses exist as of the date specified in management’s assessment; and</p> <p>b. Provide the auditor with a reasonable basis for forming an opinion.²⁴</p> <p>Note: In an audit of financial statements, the financial statements are management’s responsibility and the auditor’s responsibility is to express an opinion on the financial statements. In an audit of internal control over financial reporting, management is responsible for maintaining effective internal control over financial reporting and for assessing the effectiveness of internal control over financial reporting, and the auditor’s responsibility is to express an opinion on the effectiveness of the company’s internal control over financial reporting.</p> <p>²²The term “misstatement,” as used in this standard, has the same meaning as defined in Appendix A of AS 2810, <i>Evaluating Audit Results</i>.</p> <p>²³See AS 2105, <i>Consideration of Materiality in Planning and Performing an Audit</i>, for requirements regarding the auditor’s consideration of materiality in planning and performing an audit. See AS 2401, <i>Consideration of Fraud in a Financial Statement Audit</i>. See also paragraph .05 of AS 2405, <i>Illegal Acts by Clients</i>.</p> <p>²⁴In circumstances when the auditor is not able to obtain sufficient appropriate audit evidence to provide a reasonable basis for forming an opinion, PCAOB standards require the auditor to disclaim an opinion or withdraw (or resign) from the engagement. See AS</p>	<p>of the audit. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. (Ref: Para. A2–A11)</p> <p>***</p> <p>5. As the basis for the auditor's opinion, ISAs require the auditor to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance. It is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (that is, the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level. However, reasonable assurance is not an absolute level of assurance, because there are inherent limitations of an audit which result in most of the audit evidence on which the auditor draws conclusions and bases the auditor's opinion being persuasive rather than conclusive. (Ref: Para. A30–A54)</p> <p>***</p> <p>6. The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements. In general, misstatements, including omissions, are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in the light of surrounding circumstances,</p>	<p>certain responsibilities that are fundamental to the conduct of the audit. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. (Ref: par .A2–.A13)</p> <p>***</p> <p>.06 As the basis for the auditor's opinion, GAAS require the auditor to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high, but not absolute, level of assurance. It is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (that is, the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level. Reasonable assurance is not an absolute level of assurance because there are inherent limitations of an audit that result in most of the audit evidence, on which the auditor draws conclusions and bases the auditor's opinion, being persuasive rather than conclusive. (Ref: par .A32—.A56)</p> <p>***</p> <p>.07 The concept of materiality is applied by the auditor when both planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and uncorrected misstatements, if any, on the financial statements. In general, misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the</p>

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<p>3105, <i>Departures from Unqualified Opinions and Other Reporting Circumstances</i>, for a financial statement audit and paragraphs .90 through .98 of AS 2201, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements</i>, and Appendix C of AS 2201, for an audit of internal control over financial reporting.</p>	<p>and are affected by the auditor's perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both. The auditor's opinion deals with the financial statements as a whole and therefore the auditor is not responsible for the detection of misstatements that are not material to the financial statements as a whole.</p> <p>***</p> <p>12. In all cases when reasonable assurance cannot be obtained and a qualified opinion in the auditor's report is insufficient in the circumstances for purposes of reporting to the intended users of the financial statements, the ISAs require that the auditor disclaim an opinion or withdraw (or resign) from the engagement, where withdrawal is possible under applicable law or regulation.</p> <p>***</p> <p>17. To obtain reasonable assurance, the auditor shall obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion. (Ref: Para. A30–A54)</p>	<p>judgment made by a reasonable user based on the financial statements. Judgments about materiality are made in light of surrounding circumstances, and involve both qualitative and quantitative considerations. These judgments are affected by the auditor's perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or both. The auditor's opinion addresses the financial statements as a whole. Therefore, the auditor has no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by fraud or error, that are not material to the financial statements as a whole, are detected. (Ref: par .A14)</p> <p>***</p> <p>.13 In all cases when reasonable assurance cannot be obtained and a qualified opinion in the auditor's report is insufficient in the circumstances for purposes of reporting to the intended users of the financial statements, GAAS require that the auditor disclaim an opinion or withdraw from the engagement, when withdrawal is possible under applicable law or regulation.</p> <p>***</p> <p>.19 To obtain reasonable assurance, the auditor should obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion. (Ref: par. .A32–.A56)</p>

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<p>.14 Reasonable assurance is a high level of assurance and is obtained by reducing audit risk to an appropriately low level through the application of due professional care, including by obtaining sufficient appropriate audit evidence.²⁵ The auditor is able to obtain reasonable, but not absolute, assurance that (1) misstatements are detected that, individually or in combination, would result in material misstatement of the financial statements; and (2) in an audit of internal control over financial reporting, material weaknesses are detected.</p> <p>²⁵See paragraph .03 of AS 1101, <i>Audit Risk</i>.</p>	<p>[See above paragraphs 5 and 17 of ISA 200]</p> <p>***</p> <p>13. For purposes of the ISAs, the following terms have the meanings attributed below:</p> <p>***</p> <p>(m) Reasonable assurance – In the context of an audit of financial statements, a high, but not absolute, level of assurance.</p>	<p>[See above paragraphs 6 and 19 of ISA 200]</p> <p>***</p> <p>.14 For purposes of GAAS, the following terms have the meanings attributed as follows:</p> <p>***</p> <p>Reasonable assurance. In the context of an audit of financial statements, a high, but not absolute, level of assurance.</p>
<p>.15 The auditor must comply with applicable professional and legal requirements in conducting an audit. In fulfilling these requirements, the auditor should keep in mind their role in protecting investors.</p> <p style="text-align: center;">Note: The auditor should take into account relevant guidance²⁶ applicable to the audit.</p> <p>²⁶Relevant guidance includes PCAOB auditing interpretations, Board-issued guidance, and releases accompanying the standards and rules of the Board.</p>	<p>18. The auditor shall comply with all ISAs relevant to the audit. An ISA is relevant to the audit when the ISA is in effect and the circumstances addressed by the ISA exist. (Ref: Para. A55–A59)</p> <p>***</p> <p>19. The auditor shall have an understanding of the entire text of an ISA, including its application and other explanatory material, to understand its objectives and to apply its requirements properly. (Ref: Para. A60–A68)</p>	<p>14 For purposes of GAAS, the following terms have the meanings attributed as follows:</p> <p>***</p> <p>Interpretive publications. Auditing interpretations of GAAS, auditing guidance included in AICPA Audit and Accounting Guides, and AICPA Auditing Statements of Position (SOP).</p> <p>***</p> <p>Other auditing publications. Publications other than interpretive publications; these include AICPA auditing publications not defined as interpretive publications; auditing articles in the Journal of Accountancy and other professional journals; continuing professional education programs and other instruction materials, textbooks, guide books, audit programs, and checklists; and other auditing publications from state CPA societies, other organizations, and</p>

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		<p>individuals.</p> <p>***</p> <p>.20 The auditor should comply with all AU-C sections relevant to the audit. An AU-C section is relevant to the audit when the AU-C section is in effect and the circumstances addressed by the AU-C section exist. (Ref: par .A57–.A62)</p> <p>***</p> <p>.21 The auditor should have an understanding of the entire text of an AU-C section, including its application and other explanatory material, to understand its objectives and to apply its requirements properly. (Ref: par. .A63–.A71)</p> <p>***</p> <p>.27 The auditor should consider applicable interpretive publications in planning and performing the audit. (Ref: par. .A82)</p> <p>***</p> <p>.28 In applying the auditing guidance included in an other auditing publication, the auditor should, exercising professional judgment, assess the relevance and appropriateness of such guidance to the circumstances of the audit. (Ref: par. .A82–.A84)</p>
<p>.16 The auditor must prepare audit documentation in connection with each engagement conducted in accordance with the standards of the PCAOB.²⁷ Audit documentation facilitates the planning, performance, and supervision of the engagement and is the basis for reviewing the quality of the work performed in an audit</p>	<p>N/A - Covered by ISA 230, <i>Audit Documentation</i></p>	<p>N/A - Covered by AU-C Section 230, <i>Audit Documentation</i></p>

Proposed AS 1000	ISA 200	AU-C 200
<p>because it provides the engagement partner and other reviewers with written documentation of the evidence supporting the auditor’s significant conclusions.²⁸ AS 1215 also sets forth requirements for the assembly and retention of audit documentation.²⁹</p> <p>²⁷See, e.g., AS 1215; AS 1301, <i>Communications with Audit Committees</i>; and AS 3101, <i>The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion</i>.</p> <p>²⁸See generally AS 1215.</p> <p>²⁹See AS 1215.14-.20.</p>		

Auditor Communications

Proposed AS 1000	ISA 200	AU-C 200
<p>.17 The auditor’s report must contain:</p> <ul style="list-style-type: none"> a. An expression of opinion on the financial statements, taken as a whole, or an assertion that an opinion cannot be expressed;³⁰ and b. In an audit of internal control over financial reporting, an expression of opinion on the effectiveness of the company’s internal control over financial reporting or an assertion that an opinion cannot be expressed. <p>³⁰The auditor’s report also contains other elements, such as those included in the basis for opinion or basis for disclaimer of opinion sections, and, if applicable, critical audit matters. See AS 3101, <i>The Auditor’s Report on an Audit of Financial Statements When the Auditor</i></p>	<p>13. For purposes of the ISAs, the following terms have the meanings attributed below:</p> <p>***</p> <p>(f) Financial statements – A structured representation of historical financial information, including disclosures, intended to communicate an entity’s economic resources or obligations at a point in time, or the changes therein for a period of time, in accordance with a financial reporting framework. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed</p>	<p>.14 For purposes of GAAS, the following terms have the meanings attributed as follows:</p> <p>***</p> <p>Financial statements. A structured representation of historical financial information, including disclosures, intended to communicate an entity’s economic resources and obligations at a point in time or the changes therein for a period of time, in accordance with a financial reporting framework. The term financial statements ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required,</p>

Proposed AS 1000	ISA 200	AU-C 200
<p><i>Expresses an Unqualified Opinion, and AS 3105.</i></p>	<p>by the applicable financial reporting framework, on the face of a financial statement, or in the notes, or incorporated therein by cross-reference. (Ref: Para. A14–A15)</p>	<p>expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement or in the notes, or incorporated therein by reference when expressly permitted.</p>
<p>.18 The auditor should express an unqualified opinion only when the auditor has performed the audit in accordance with the standards of the PCAOB and has obtained sufficient appropriate audit evidence to conclude that:</p> <ul style="list-style-type: none"> a. In an audit of financial statements, the financial statements, taken as a whole, are presented fairly,³¹ in all material respects, in conformity with the applicable financial reporting framework;³² b. In an audit of internal control over financial reporting, the company maintained in all material respects, effective internal control over financial reporting.³³ <p>³¹Paragraphs .30-.31 of AS 2810 (as proposed to be amended by this standard) describe the auditor’s responsibilities related to the evaluation of whether the financial statements are presented fairly, in all material respects, in conformity with the applicable financial reporting framework.</p> <p>³²See AS 3101 for requirements regarding the content of the auditor’s written report when the auditor expresses an unqualified opinion on the financial statements. The auditor should look to the requirements of the SEC for the company under audit with respect to the accounting principles applicable to</p>	<p>N/A - Covered by ISA 700 (Revised), <i>Forming an Opinion and Reporting on Financial Statements</i></p>	<p>N/A - Covered by AU-C Section 700, <i>Forming an Opinion and Reporting on Financial Statements</i></p>

Proposed AS 1000	ISA 200	AU-C 200
<p>that company.</p> <p>³³See AS 2201.85-.98 for the form and content of the auditor’s report when the auditor conducts an audit of internal control over financial reporting.</p>		
<p>.19 When the auditor conducts an audit in accordance with the standards of the PCAOB, some circumstances require that the auditor express a qualified opinion, adverse opinion, or disclaimer of opinion on the financial statements or the company’s internal control over financial reporting, and state the reasons for the departure from the unqualified opinion.³⁴</p> <p>³⁴See AS 3105 for reporting requirements related to departures from unqualified opinions and other reporting circumstances. <i>See also</i> AS 2201.90-.98 and Appendix C of AS 2201, for special reporting situations in an audit of internal control over financial reporting.</p>	<p>[See above paragraph 12 of ISA 200]</p>	<p>[See above paragraphs 13 of AU-C 200]</p>
<p>.20 The auditor must communicate externally, as required by applicable professional and legal requirements.³⁵</p> <p>³⁵See <i>e.g.</i>, AS 1301; PCAOB Rule 3211.</p>	<p>9. The auditor may also have certain other communication and reporting responsibilities to users, management, those charged with governance, or parties outside the entity, in relation to matters arising from the audit. These may be established by the ISAs or by applicable law or regulation.</p>	<p>.10 The auditor also may have certain other communication and reporting responsibilities to users, management, those charged with governance, or parties outside the entity, regarding matters arising from the audit. These responsibilities may be established by GAAS or by applicable law or regulation.</p>