

## General Responsibilities of the Auditor in Conducting an Audit and Amendments to PCAOB Standards

### Amendments to PCAOB Auditing Standards: Comparison to Existing Standards (PCAOB Release No. 2024-004, Appendix 2)

*On May 13, 2024, the Public Company Accounting Oversight Board adopted amendments to its standards, as reflected in “General Responsibilities of the Auditor in Conducting an Audit and Amendments to PCAOB Standards,” PCAOB Release No. 2024-004. The amendments have been approved by the Securities and Exchange Commission, see SEC Release No. 34-100773 (August 20, 2024), and will be effective for audits of financial statements for fiscal years beginning on or after December 15, 2024, except that, for registered public accounting firms that provide audit opinions for 100 or fewer issuers, the amendment related to the documentation completion date will take effect for audits of financial statements for fiscal years beginning on or after December 15, 2025.*

*This comparison document was prepared by staff of the Office of the Chief Auditor as a reference tool for the amendments presented in Appendix 2 of the PCAOB release. It shows changes from the existing standards, with added text underscored and deleted text ~~stricken through~~.*

*Amendments for the following PCAOB standards are included in this document:*

- AS 1201, *Supervision of the Audit Engagement*
- AS 1215, *Audit Documentation*
- AS 2101, *Audit Planning*
- AS 2810, *Evaluating Audit Results*

## Amendments to AS 1201

I. AS 1201 is amended by adding footnote 1B and deleting footnote 6 to paragraph .03 to read as follows:

.03 The **engagement partner**<sup>1A</sup> is responsible for the engagement and its performance. Accordingly, the engagement partner is responsible for proper supervision of the work of engagement team members<sup>1B</sup> (including engagement team members outside the engagement partner’s firm). The engagement partner also is responsible for compliance with PCAOB standards, including standards regarding: using the work of specialists,<sup>2</sup> internal auditors,<sup>4</sup> and others who are involved in testing controls;<sup>5</sup> and dividing responsibility with another accounting firm.<sup>5A</sup> Paragraphs .05–.06 of this standard describe the nature and extent of supervisory activities necessary for proper supervision of engagement team members.<sup>6</sup> Paragraphs .07–.15 of this standard further describe procedures to be performed by the lead auditor with respect

to the supervision of the work of other auditors in conjunction with the required supervisory activities set forth in this standard.<sup>6A</sup>

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<sup>1B</sup> See also paragraph .10 of AS 1000, *General Responsibilities of the Auditor in Conducting an Audit*, for an additional description of due professional care as it relates to the engagement partner.

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<sup>6</sup> See also paragraph .06 of AS 1015, *Due Professional Care in the Performance of Work*.

[<sup>6</sup>] [Footnote deleted.]

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II. AS 1201 is amended by adding a note to paragraph .04 to read as follows:

.04 The engagement partner may seek assistance from appropriate engagement team members (which may include engagement team members outside the engagement partner's firm) in fulfilling his or her responsibilities pursuant to this standard. Engagement team members who assist the engagement partner with supervision of the work of other engagement team members also should comply with the requirements in this standard with respect to the supervisory responsibilities assigned to them.

Note: When the engagement partner seeks assistance, the engagement partner nevertheless retains primary responsibility for the engagement and its performance. The assistance provided by appropriate engagement team members to supervise, including review, the work of other engagement team members does not replace or reduce the engagement partner's responsibility.

III. AS 1201 is amended by revising footnote 7 of paragraph .05a.; revising the note to paragraph .05b.; and adding Note 1 and Note 2 to paragraph .05c., to read as follows:

.05 The engagement partner and, as applicable, other engagement team members performing supervisory activities, should:

a. Inform engagement team members of their responsibilities,<sup>7</sup> including:

<sup>7</sup> ~~AS 1015.06 and~~ Paragraph .05 of AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*, establishes requirements regarding the appropriate assignment of engagement team members. See also AS 1000.10, for an additional description of due professional care as it relates to the engagement partner.

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- b. Direct engagement team members to bring significant accounting and auditing issues arising during the audit to the attention of the engagement partner or other engagement team members performing supervisory activities so they can evaluate those issues and determine that appropriate actions are taken in accordance with PCAOB standards;<sup>9</sup>

Note: In applying due professional care in accordance with ~~AS 1015~~AS 1000, each engagement team member has a responsibility to bring to the attention of appropriate persons, disagreements or concerns the engagement team member might have with respect to accounting and auditing issues that he or she believes are of significance to the financial statements or the auditor's report regardless of how those disagreements or concerns may have arisen.

- c. Review the work of engagement team members to evaluate whether:
- (1) The work was performed and documented;
  - (2) The objectives of the procedures were achieved; and
  - (3) The results of the work support the conclusions reached.<sup>10</sup>

Note 1: The review and evaluation must be completed prior to the report release date (see AS 1215.06 and .15).

Note 2: Notwithstanding assistance from other engagement team members performing supervisory activities, the engagement partner, as the individual primarily responsible for the engagement and its performance, must review documentation sufficient to determine that (i) the engagement was performed as planned; (ii) significant judgments were appropriate and significant findings and issues, along with matters brought to the engagement partner's attention pursuant to paragraph .05b, were appropriately addressed; (iii) the conclusions expressed in the auditor's report are appropriate and supported by sufficient appropriate evidence; and (iv) matters requiring communication under applicable professional and legal requirements are appropriately identified and communicated. The engagement partner's review should include review of documentation of significant findings or issues (see AS 1215.12) and review of documentation required to be reviewed by the engagement quality reviewer pursuant to the requirements of paragraphs .09-.10 and .14-.15 of AS 1220, *Engagement Quality Review*.

IV. AS 1201 is amended by revising footnote 12 to paragraph .06 to read as follows:

.06 To determine the extent of supervision necessary for engagement team members to perform their work as directed and form appropriate conclusions, the engagement partner and other engagement team members performing supervisory activities should take into account:

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d. The knowledge, skill, and ability of each engagement team member.<sup>12</sup>

<sup>12</sup> See also AS 2301.05a and ~~AS 1015.06~~.

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V. AS 1201 is amended by revising footnote 1 to paragraph .C4 to read as follows:

.C4 Pursuant to paragraph .05a(3) of this standard, the engagement partner and, as applicable, other engagement team members performing supervisory activities should inform the specialist about matters that could affect the specialist's work. This includes, as applicable, information about the company and its environment, the company's processes for developing the related accounting estimate, the company's use of specialists in developing the estimate, relevant requirements of the applicable financial reporting framework, possible accounting and auditing issues, and the need to apply professional skepticism.<sup>1</sup>

<sup>1</sup> See paragraph .11 of AS 1000, *General Responsibilities of the Auditor in Conducting an Audit*, for further discussion of the concept of professional skepticism ~~AS 1015.07-.09~~.

## **Amendments to AS 1215**

VI. AS 1215 is amended by revising paragraph .02 to read as follows:

.02 *Audit documentation* is the written record of the basis for the auditor's conclusions that provides the support for the auditor's representations, whether those representations are contained in the auditor's report or otherwise. Audit documentation also facilitates the planning, performance, and supervision of the engagement, and is the basis for the review of the quality of the work because it provides the reviewer (e.g., engagement partner or other reviewers) with written documentation of the evidence supporting the auditor's significant conclusions. Among other things, audit documentation includes records of the planning and performance of the work, the procedures performed, evidence obtained, and conclusions reached by the auditor. Audit documentation also may be referred to as *work papers* or *working papers*.

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VII. AS 1215 is amended by revising paragraph .03 and adding footnote 1B to read as follows:

.03 Audit documentation is reviewed by members of the engagement team<sup>1A</sup> performing the work and might be reviewed by others. Reviewers might include, for example:

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e. Internal and external inspection teams that review documentation to assess audit quality and compliance with applicable professional and legal requirements<sup>1B</sup> ~~auditing and related professional practice standards; applicable laws, rules, and regulations;~~ and the auditor's own quality control policies and procedures.

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<sup>1B</sup> "Applicable professional and legal requirements" is defined in paragraph .A2 of AS 1000, *General Responsibilities of the Auditor in Conducting and Audit*.

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VIII. AS 1215 is amended by revising paragraph .06 and adding paragraph .06A to read as follows:

.06 The auditor must document the procedures performed, evidence obtained, and conclusions reached with respect to relevant financial statement assertions.<sup>2</sup> Audit documentation must clearly demonstrate that the work was in fact performed, who performed the work, the person or persons who reviewed the work, and the date of such review. This documentation requirement applies to the work of all those who participate in the engagement as well as to the work of specialists the auditor uses as evidential matter in evaluating relevant financial statement assertions.

.06A Audit documentation must contain sufficient information to enable an experienced auditor, having no previous connection with the engagement:

- a. To understand the nature, timing, extent, and results of the procedures performed, evidence obtained, and conclusions reached, and
- b. To determine who performed the work and the date such work was completed as well as the person or persons who reviewed the work and the date of such review.

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IX. AS 1215 is amended by adding a footnote 2A to paragraph .07 to read as follows (and by revising the numbering of footnotes 2A, 2B, and 2C to paragraph .12 to read as footnotes 2B, 2C, and 2D, respectively):

.07 In determining the nature and extent of the documentation for a financial statement assertion, the auditor should consider the following factors:

- Nature of the auditing procedure;
- Risk of material misstatement associated with the assertion;
- Extent of judgment<sup>2A</sup> required in performing the work and evaluating the results, for example, accounting estimates require greater judgment and commensurately more extensive documentation;

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<sup>2A</sup> Reference to the judgment of the auditor has the same meaning as “professional judgment” as described in AS 1000.

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X. AS 1215 is amended by revising paragraph .11 to read as follows:

.11 Certain matters, such as auditor independence, staff competence and training ~~and proficiency~~, and client-acceptance and continuance of engagements retention, may be documented in a central repository for the public accounting firm (“firm”) or in the particular office participating in the engagement. If such matters are documented in a central repository, the audit documentation of the engagement should include a reference to the central repository. Documentation of matters specific to a particular engagement should be included in the audit documentation of the pertinent engagement.

XI. AS 1215 is amended by revising paragraph .15 to read as follows:

.15 Prior to the report release date, (i) the auditor must have completed all necessary auditing procedures and obtained sufficient evidence to support the representations in the auditor’s report, and (ii) the engagement partner and other engagement team members performing supervisory activities must have completed their reviews of audit documentation. A complete and final set of audit documentation should be assembled for retention (i.e., archived) as of a date not more than 4514 days after the report release date (*documentation completion date*). If a report is not issued in connection with an engagement, then the documentation completion date should not be more than 4514 days from the date that fieldwork was substantially completed. If the auditor was unable to complete the engagement, then the documentation completion date should not be more than 4514 days from the date the engagement ceased.

## Amendments to AS 2101

XII. AS 2101 is amended by adding a note to paragraph .03 to read as follows:

.03 The **engagement partner**<sup>1</sup> is responsible for the engagement and its performance. Accordingly, the engagement partner is responsible for planning the audit and may seek assistance from appropriate **engagement team** members (which may include engagement team members outside the engagement partner's firm) in fulfilling this responsibility. Engagement team members who assist the engagement partner with audit planning also should comply with the relevant requirements in this standard.

Note: When the engagement partner seeks assistance, the engagement partner nevertheless retains primary responsibility for the engagement and its performance. The assistance provided by appropriate engagement team members to supervise, including review, the work of other engagement team members does not replace or reduce the engagement partner's responsibility.

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XIII. AS 2101 is amended by adding a footnote 4J to paragraph .07 to read as follows:

.07 The nature and extent of planning activities that are necessary depend on the size and complexity of the company, the auditor's previous experience with the company, and changes in circumstances that occur during the audit. When developing the audit strategy and audit plan, as discussed in paragraphs .08-.10, the auditor should evaluate whether the following matters are important to the company's financial statements and internal control over financial reporting and, if so, how they will affect the auditor's procedures:

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- The auditor's preliminary judgments<sup>4J</sup> about materiality,<sup>5</sup> risk, and, in integrated audits, other factors relating to the determination of material weaknesses;

<sup>4J</sup> Reference to the judgment of the auditor throughout this standard has the same meaning as "professional judgment" as described in AS 1000, *General Responsibilities of the Auditor in Conducting an Audit*.

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XIV. AS 2101 is amended by revising footnote 10 to paragraph .09 to read as follows:

.09 In establishing the overall audit strategy, the auditor should take into account:

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d. The nature, timing, and extent of resources necessary to perform the engagement.<sup>10</sup>

<sup>10</sup> See, e.g., ~~AS 1015.06~~, paragraph .16 of this standard, and AS 2301.05a.

## Amendments to AS 2810

XV. AS 2810 is amended by adding footnote 9A to paragraph .17 to read as follows:

.17 *Evaluation of the Effect of Uncorrected Misstatements.* The auditor should evaluate whether uncorrected misstatements are material, individually or in combination with other misstatements. In making this evaluation, the auditor should evaluate the misstatements in relation to the specific accounts and disclosures involved and to the financial statements as a whole, taking into account relevant quantitative and qualitative factors.<sup>7</sup> (See Appendix B.)

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Note: As a result of the interaction of quantitative and qualitative considerations in materiality judgments,<sup>9A</sup> uncorrected misstatements of relatively small amounts could have a material effect on the financial statements. For example, an illegal payment of an otherwise immaterial amount could be material if there is a reasonable possibility<sup>10</sup> that it could lead to a material contingent liability or a material loss of revenue.<sup>11</sup> Also, a misstatement made intentionally could be material for qualitative reasons, even if relatively small in amount.

<sup>9A</sup> Reference to the judgment of the auditor throughout this standard has the same meaning as "professional judgment" as described in AS 1000, *General Responsibilities of the Auditor in Conducting an Audit*.

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XVI. AS 2810 is amended by revising the first Note and adding footnote 17B to paragraph .30 to read as follows:

.30 The auditor must evaluate whether the financial statements are presented fairly, in all material respects, in conformity with the applicable financial reporting framework.<sup>17B</sup>

Note: The applicable financial reporting framework provides the basis for the auditor's judgment regarding the presentation of financial position, results of operations, cash flows, and disclosures in financial statements. AS 2815, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles,"* establishes requirements for evaluating the presentation of the financial statements. AS 2820, *Evaluating Consistency of Financial Statements*, establishes requirements regarding evaluating the consistency of the accounting principles used in financial statements.

Note: The auditor should look to the requirements of the U.S. Securities and Exchange Commission for the company under audit with respect to the accounting principles applicable to that company.

<sup>17B</sup> AS 2820, *Evaluating Consistency of Financial Statements*, establishes requirements regarding evaluating the consistency of the accounting principles used in financial statements.

XVII. AS 2810 is amended by adding a new paragraph .30A and footnotes 17C and 17D to read as follows:

.30A When evaluating whether the financial statements (including the accompanying notes) present fairly the financial position, results of operations, and cash flows, in all material respects, in conformity with the applicable financial reporting framework, the auditor should evaluate whether:<sup>17C</sup>

- a. The financial statements are informative of matters that may affect their use, understanding, and interpretation; and the information in the financial statements is presented and classified appropriately and in a manner that is not misleading;<sup>17D</sup>
- b. The accounting principles selected and applied by the company's management are appropriate in the circumstances; and
- c. Company transactions and relevant events and conditions are appropriately recognized, measured, and disclosed in the financial statements.

<sup>17C</sup> The concept of materiality is inherent in the auditor's judgment. That concept involves qualitative as well as quantitative factors (see AS 2105).

<sup>17D</sup> Regulation S-X Rule 4-01(a), 17 C.F.R. § 210.4-01(a), requires issuers to include in financial statements any further material information as may be necessary to make the required statements, in the light of the circumstances under which they were made, not misleading.

XVIII. AS 2810 is amended by revising and moving footnote 18 and deleting a Note to paragraph .31 to read as follows:

.31 As part of the evaluation of the presentation of the financial statements, the auditor should evaluate whether the financial statements contain the information essential for a fair presentation of the financial statements in conformity with the applicable financial reporting framework.<sup>18</sup> Evaluation of the information disclosed in the financial statements includes consideration of the form, arrangement, and content of the financial statements (including the accompanying notes), encompassing matters such as the terminology used, the amount of detail given, the classification of items in the statements, and the bases of amounts set forth.

~~Note: According to AS 3105, if the financial statements, including the accompanying notes, fail to disclose information that is required by the applicable financial reporting~~

~~framework, the auditor should express a qualified or adverse opinion and should provide the information in the report, if practicable, unless its omission from the report is recognized as appropriate by a specific auditing standard.~~<sup>18</sup>

<sup>18</sup> See AS 3105.24–.27 for auditor reporting considerations related to inadequate disclosures.