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## New Audit Standards

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### New Statements of Auditing Standards

The America Institute of Certified Public Accountants ("AICPA") has issued a number of new auditing standards that you, as a company executive, should be aware of.

The AICPA Statements on Auditing Standards ("SAS") No. 103 to No. 114 affect the timing, risk assessment, documentation, and reporting requirements for all 2007 audits. They apply to all entities and all industries, both private and public. These new SASs serve to further raise the bar and increase financial governance and oversight by companies and their auditors. They are as follows:

**SAS No. 103**, Audit Documentation

**SAS No. 104**, Amendment to Statement on Auditing Standards No. 1, Codification of Auditing Standards and Procedures

**SAS No. 105**, Amendment to Statement on Auditing Standards No. 95, Generally Accepted Auditing Standards

**SAS No. 106**, Audit Evidence

**SAS No. 107**, Audit Risk and Materiality in Conducting an Audit

**SAS No. 108**, Planning and Supervision

**SAS No. 109**, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement

**SAS No. 110**, Performing Audit Procedures in Responses to Assessed Risks and Evaluating the Audit Evidence Obtained

**SAS No. 111**, Amendment to Statement on Auditing Standards No. 39, Audit Sampling

**SAS No. 112**, Communicating Internal Control Related Matters Identified in an Audit

**SAS No. 114**, The Auditor's Communication with Those Charged with Governance

SAS No. 103 deals with the timing requirements in finishing up and issuing audit reports and will require management and their auditors to more effectively plan and execute their audits to avoid the need for additional testing and delays in reporting results to audit committees and boards. SAS No. 104-111 deal primarily with an auditor's risk-assessment process and the related internal documentation process. The impact on management is expected to be felt primarily through increased information and documentation requests and higher annual audit cost. SAS No. 112 redefines and sets lower thresholds for formally reporting weaknesses in a company's internal controls. SAS No. 114 provides guidance to establish a framework for the auditor's communication with those charged with governance of the entity.

The new standards challenge companies' efficiency and effectiveness in audits. Companies need to take a more active role with the auditors so as to better plan and execute their audits for improved efficiency and effectiveness. It means more work and responsibilities for companies and well as auditors.

Are you ready for more discussions in planning your upcoming audits in compliance with the new auditing standards? Please feel free to contact [Mark Kelly](#), [Harriet Leung](#) or [Kenneth Lee](#).

### **Polaris International**

Mark Kelly has been elected Vice Chairman of the North American Region of Polaris International. Polaris International is an organization of independent member accounting and tax consulting firms and Rowbotham & Company LLP has been a member since 1993. Aside from his newly elected position, Mark is an audit partner, with twenty-two years of experience in providing professional services to private and public middle market companies. He is in charge of the firm's SEC practice. Mark can be reached by email at [mkelly@rowbotham.com](mailto:mkelly@rowbotham.com).

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