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Republic of the Philippines
 Department of Trade and Industry
Securities and Exchange Commission
 SEC Bldg. EDSA, Greenhills, Mandaluyong City

NOTICE

Notice is hereby given that the Commission En Banc in its meeting of 17 December 2009, resolved to adopt as part of its rules the following Philippine Standards on Auditing (PSA)¹:

PSA Nos.	Title	Revisions
200 (Revised and Redrafted)	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Philippine Standards on Auditing <i>Conforming Amendments:</i> Preface to the Philippine Standards on Quality Control, Auditing, Review, Other Assurance and Related Services and Other PSAs	<ul style="list-style-type: none"> ▪ Incorporates relevant provisions of the amended Preface to IAASB and Philippine AASC pronouncements and uses the new drafting conventions adopted by the IAASB to enhance the clarity (i.e., readability and understandability) of the standards (referred to as the 'clarity drafting conventions'). ▪ Contains further explanation of: (a) the role and purpose of objectives of the audit, including the relationship between objectives and requirements; (b) the auditor's consideration of objectives, including the need for the auditor to have regard to the interrelationship amongst the PSAs; (c) the consequence of a failure to obtain sufficient appropriate audit evidence; and, (d) the consequence of a failure to achieve an objective. ▪ Describes the inherent limitations of an audit, in the context of: (a) the fundamental nature and characteristics of financial reporting and business processes; (b) the nature of audit evidence and procedures; and (c) the need for the audit to be conducted within a reasonable period of time and at a reasonable cost.
230 (Redrafted)	Audit Documentation	<ul style="list-style-type: none"> ▪ The revisions are pursuant to the clarity drafting conventions. ▪ Expands the requirement for the auditor to document significant matters arising from the audit and the conclusions reached on those matters by referring specifically to the significant professional judgments made in reaching those conclusions. ▪ Clarifies that audit documentation that meets the requirements of PSA 230 (Redrafted), together with the specific documentation requirements of other relevant PSAs, provides evidence of the auditor's basis for a conclusion about the achievement of the overall objective of the auditor.
240 (Redrafted)	The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	The revisions are pursuant to the clarity drafting conventions. There were no major changes made to the extant PSA 240 (Rev. 2005).

¹ These are adopted from the International Standards on Auditing issued by the International Auditing and Assurance Standards Board (IAASB). The Auditing and Assurance Standards Council and the Board of Accountancy of the Professional Regulation Commission earlier approved these PSAs for adoption by public practitioners in the Philippines.

PSA Nos.	Title	Revisions
250 (Redrafted)	Consideration of Laws and Regulations in and Audit of Financial Statements	The revisions are pursuant to the clarity drafting conventions. There were no major changes made to the extant PSA 250.
260 (Revised and Redrafted)	Communications with Those Charged with Governance	<ul style="list-style-type: none"> ▪ The revisions are pursuant to the clarity drafting conventions. ▪ Includes a new section dealing with the communication process with those charged with governance in recognition of its importance in audit effectiveness. ▪ Requires significantly more specific items to be communicated to those charged with governance.
300 (Redrafted)	Planning and Audit of Financial Statements	The revisions are pursuant to the clarity drafting conventions. There were no major changes made to the extant PSA 300 (Rev.).
315 (Redrafted)	Identifying and Assessing the Risks of Material Misstatements Through Understanding the Entity and its Environment	The revisions are pursuant to the clarity drafting conventions. There were no major changes made to the extant PSA 315 (Rev.).
320 (Revised and Redrafted)	Materiality in Planning and Performing an Audit	<ul style="list-style-type: none"> ▪ The revisions are pursuant to the clarity drafting conventions. ▪ Includes a definition of materiality that makes clear that materiality depends on the size and nature of an item judged in the surrounding circumstances. ▪ Introduces guidance on the use of percentages of benchmarks for the initial determination of materiality for the financial statements as a whole, when establishing the overall audit strategy.
330 (Redrafted)	The Auditor's Responses to Assessed Risks	The revisions are pursuant to the clarity drafting conventions. There were no major changes made to the extant PSA 330 (Rev.).
450 (Revised and Redrafted)	Evaluation of Misstatements Identified during the Audit	<ul style="list-style-type: none"> ▪ Requires the auditor to accumulate misstatements identified during the audit and to consider, as the audit progresses, whether there is a need to change the overall audit strategy and audit plan. ▪ Requires the auditor to communicate to management all known and likely misstatements (other than those that are clearly trivial) identified during the audit and to request management to correct all known misstatements.
510 (Redrafted)	Initial Audit Engagements – Opening Balances	The revisions are pursuant to the clarity drafting conventions. There were no major changes made to the extant PSA 510.
530 (Redrafted)	Audit Sampling	The revisions are pursuant to the clarity drafting conventions. There were no major changes made to the extant PSA 530.
540 (Revised and Redrafted)	Auditing Accounting Estimates, Including Fair Value	<ul style="list-style-type: none"> ▪ The revisions are pursuant to the clarity drafting conventions. ▪ Introduces requirements for greater rigor and skepticism into the audit of accounting estimates, including consideration of indicators of possible management bias.

PSA Nos.	Title	Revisions
	Accounting Estimates, and Related Disclosures	<ul style="list-style-type: none"> ▪ Introduces risk assessment procedures that are more comprehensive than those in the extant PSA 540, including the requirements for the auditor to determine the need to use the work of an expert.
550 (Revised and Redrafted)	Related Parties	<ul style="list-style-type: none"> ▪ The revisions are pursuant to the clarity drafting conventions. ▪ Adopts a three-part approach to the audit of related party relationships and transactions: (a) obtaining sufficient appropriate audit evidence about whether related party relationships and transactions have been appropriately accounted for and disclosed; (b) obtaining an understanding of related party relationships and transactions; and (c) identifying fraud risk factors to which related party relationships and transactions specifically give rise in the overall identification and assessment of fraud risks.
560 (Redrafted)	Subsequent Events	The revisions are pursuant to the clarity drafting conventions. There were no major changes made to the extant PSA 560.
570 (Redrafted)	Going Concern	The revisions are pursuant to the clarity drafting conventions. There were no major changes made to the extant PSA 570.
580 (Revised and Redrafted)	Written Representations	<ul style="list-style-type: none"> ▪ The revisions are pursuant to the clarity drafting conventions. ▪ Requires the auditor to determine relevant parties from whom written representations (both general and specific) should be requested. ▪ Requires the auditor to request relevant parties general written representations that they acknowledge and understand their responsibility for preparing and presenting financial statements and for designing, implementing and maintaining internal controls, and that they believe that all records, documentation, etc. have been made available to the auditor. ▪ Requires the auditor to obtain written representations regarding specific assertions in the financial statements (“specific written representations”) when the auditor considers it necessary to corroborate other audit evidence.
600 (Revised and Redrafted)	Special Considerations – Audits of Group Financial Statements (Including the Work of component Auditors)	<ul style="list-style-type: none"> ▪ The revisions are pursuant to the clarity drafting conventions. ▪ Provides for the group auditor to obtain a preliminary understanding of the group at the acceptance and continuance stage, and to consider the group auditor’s ability to participate appropriately in the work of other auditors. ▪ Eliminates the distinction between related and unrelated auditors. As a result, the auditor’s report on the group financial statements shall not refer to a component auditor, unless required by law or regulation to include such reference. If such reference is required by law or regulation, the auditor’s report shall indicate that the reference does not diminish the group engagement partner’s or the group engagement partner’s firm’s responsibility for the group audit opinion. ▪ Provides guidance on the type of work to be performed for significant components of a group and for those that are not significant components.
610 (Redrafted)	Using the Work of Internal Auditors	The revisions are pursuant to the clarity drafting conventions. There were no major changes made to the extant PSA 610.

PSA Nos.	Title	Revisions
705 (Revised and Redrafted)	Modification to the Opinion in the Independent Auditor's Report	The revisions are pursuant to the clarity drafting conventions. There were no major changes made to the carved-out portion of extant PSA 700 (Rev.) relating to modification to the opinion in the auditor's report, except for the inclusion of the definition of "pervasive" which term, in the context of misstatements, is used to describe the effects on the financial statements of misstatements or the possible effects on the financial statements of misstatements, if any, that are undetected due to an inability to obtain sufficient appropriate audit evidence.
706 (Redrafted)	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	The revisions are pursuant to the clarity drafting conventions. There were no major changes made to the carved-out portion of the extant PSA 700 (Rev.).
720 (Redrafted)	The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements	The revisions are pursuant to the clarity drafting conventions. There were no major changes made to the extant PSA 720.

The foregoing standards shall be effective for audits of financial statements beginning December 15, 2009.

The above pronouncements and all the final standards on quality control, auditing, review, other assurance and related services may be viewed and downloaded through a hyperlink in the Commission's website at www.sec.gov.ph.

Issued this 22nd day of December 2009, Mandaluyong City, Philippines.

For the Commission:

F. B. Barin
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 Chairperson