December 20, 2009

PCAOB,

In my view, the re-proposed risk assessment standards do not strike a good balance between what is arguably the most important elements of financial statements (i.e. significant accounts and disclosures) and so-called "relevant assertions."

I recommend you consider deleting as many references as possible to "relevant assertions" to increase the relative weight and importance of "significant accounts and disclosures."

After all, auditors have a difficult enough time dealing with significant accounts and disclosures so the PCAOB should minimize theory oriented distractions to how accountants operate and financial statements are prepared in the real world.

I believe the _Universal Financial Assertions_ contained in the attached document are much more practical and logical than the five [actually nine] assertions contained in AS #5 and the even higher number of assertions developed in recent years.   In my view, the _Universal Financial Assertions_ can be used by external auditors, internal auditors, accountants, company operations staff, public companies, private companies, non-profits, etc.

The views expressed above and in the attached documents are my own and are not associated with any company or organization I have ever been associated with.

Sincerely,
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cc: PCAOB Staff

Intelligent Auditing results in quality audits at a cost comparable to legacy audits.

Intelligent auditors collaborate with their clients to improve audit efficiency and minimize audit risk.

Intelligent audits are typically based on:

> ➢ *more relevant and appropriate* audit evidence,
> ➢ *more reliable* audit evidence, and/or
> ➢ *more sufficient* audit evidence.

Intelligent auditors leverage information technologies including spreadsheet software, database management systems, general purpose audit software, email, virtual private networks (VPN), file transfer protocol (FTP), and cloud computing.

Intelligent auditors exercise professional skepticism.

Intelligent auditors are effective at identifying significant accounts and risks of material misstatements.

Intelligent auditors will at times test very large samples and/or entire populations.

Intelligent auditors are proficient at analyzing and electronically comparing relevant data contained in important systems, including consolidation systems, general ledgers, sub-ledgers, ERP applications, business systems, and electronic data available from third parties (e.g. financial institutions, trading partners, and company service providers).

Intelligent auditors leverage treasury, cash management, and banking data.

Intelligent auditors are provided complete access to client data and information.

Intelligent auditors are guided by the standards of the International Auditing and Assurance Standards Board (IAASB) and/or the U.S. Public Company Accounting Oversight Board (PCAOB).

Intelligent audits are usually structured around the following five (5) *Universal Financial Assertions*:

> ➢ ***ANO*** accounts are not overstated
> ➢ ***ANU*** accounts are not understated
> ➢ ***APC*** accounts are properly classified
> ➢ ***DCA*** disclosures are complete and accurate
> ➢ ***ICE*** internal controls are effective

Universal Financial Assertions		CASH ACCOUNTS	ASSET ACCOUNTS	LIABILITY ACCOUNTS	EQUITY ACCOUNTS	REVENUE ACCOUNTS	EXPENSE ACCOUNTS
ANO	accounts are not overstated	priority audit procedures	priority audit procedures	other audit procedures	priority audit procedures	priority audit procedures	other audit procedures
ANU	accounts are not understated	priority audit procedures	other audit procedures	priority audit procedures	other audit procedures	other audit procedures	priority audit procedures
APC	accounts are properly classified	important element of ANO and ANU testing above					
DCA	disclosures are complete and accurate	priority audit procedures for external financial statements					
ICE	internal controls are effective	priority audit procedures for integrated audits and ICFR audits					