
BRIEFING PAPER

PROPOSED AUDITING STANDARD ON REFERENCE IN AUDITORS' REPORTS TO STANDARDS OF THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

NOVEMBER 12, 2003 PUBLIC MEETING OF THE BOARD

At its public meeting on November 12, 2003, the Public Company Accounting Oversight Board (the "Board" or "PCAOB") will consider whether to propose, and seek comment on, an auditing standard, *References in Auditors' Reports to the Standards of the Public Company Accounting Oversight Board*. If adopted, registered public accounting firms would include in their reports on audits of financial statements and other engagements performed pursuant to the Board's auditing and related professional practice standards a reference to the standards of the Public Company Accounting Oversight Board.

This briefing paper highlights the more significant requirements in the proposed auditing standard.

The Sarbanes-Oxley Act of 2002 (the "Act") authorized the PCAOB to establish auditing and related professional practice standards to be used by registered public accounting firms. PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*, requires auditors to comply with all applicable auditing and related professional practice standards established by the PCAOB. The Board has adopted as interim standards, on an initial, transitional basis, the generally accepted auditing standards, described in the American Institute of Certified Public Accountants' ("AICPA") Auditing Standards Board's Statement on Auditing Standards No. 95, *Generally Accepted Auditing Standards*, in existence on April 16, 2003 (the "interim standards").

The Board's interim standards – as did the profession's generally accepted auditing standards that preceded the Board's standards – require auditors to make reference in their audit and review reports to the standards that they followed in conducting the audits and reviews. To conform the language of auditors' reports to the requirement that auditors comply with PCAOB standards, the Board's proposed Auditing

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Standard would require auditors' reports to refer to "the standards of the Public Company Accounting Oversight Board."

In addition, to make the Board's interim standards consistent with the Act and Rule 3100, the proposed Auditing Standard provides that all references in the interim standards to generally accepted auditing standards, U.S. generally accepted auditing standards, auditing standards generally accepted in the United States of America, and standards established by the AICPA, would mean "the standards of the Public Company Accounting Oversight Board."

The Act and the Board's rules already require the auditor to comply with the Board's standards; therefore, the Board believes that the changes proposed by this standard merely conform the references in the interim standards and in auditors' reports to the standards that the Act and Rule 3100 require auditors to use in connection with preparing and issuing audit and related reports on the financial statements of issuers.

Implementation Date of the Proposed Standard

This proposed standard would apply to auditors' reports dated on or after the later of January 1, 2004, or the 10th day after final approval of this auditing standard. Under the Act, this proposed Auditing Standard, if adopted by the Board, will not be effective unless it is approved by the Securities and Exchange Commission. Until such approval, auditors should adhere to the reporting requirements in the interim standards.

Public Comment

If the Board issues the proposed standard, it will seek comment on this proposal for a 21-day period. Interested persons are encouraged to submit their views to the Board. Written comments should be sent to Office of the Secretary, PCAOB, 1666 K Street, N.W., Washington, D.C. 20006-2803. Comments may also be submitted by e-mail to comments@pcaobus.org or through the Board's Web site at www.pcaobus.org. All comments should refer to PCAOB Rulemaking Docket Matter No. 010 in the subject or reference line and should be received by the Board no later than 5:00 p.m. EST on December 4, 2003.

The Board will carefully consider all comments received. Following the close of the comment period, the Board will determine whether to adopt a final standard. Any final standard adopted will be submitted to the Securities and Exchange Commission for approval. Pursuant to Section 107 of the Act, proposed rules of the Board do not take

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effect unless approved by the Commission. Standards are deemed to be rules under the Act.

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The PCAOB is a private-sector, non-profit corporation, created by the Sarbanes-Oxley Act of 2002, to oversee the auditors of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports.