

MARCH 4, 2009 OPEN MEETING

**PROPOSED AUDITING STANDARD --
ENGAGEMENT QUALITY REVIEW**

Statement of Chairman Mark W. Olson

Thank you Mr. Goelzer and Mr. Harris.

The question before the Board today is whether it should repropose a new auditing standard on engagement quality review. The Board initially proposed this auditing standard last February. In light of the significant changes to the proposed standard since last year, the staff is recommending that the Board repropose, so we can have the benefit of an additional round of public comment. I support this approach in light of the significant changes that have been made to the proposal and the benefit that additional public comment should provide in setting a robust and viable standard.

As I suggested in February of last year, an engagement quality review should provide auditors, investors and issuers a tangible enhancement to audit quality. The proposal before the Board today is built on a number of important inputs ranging from discussions with our Standing Advisory Group, observations from our inspections and enforcement staff, the current requirements of IAASB standards, and comment letters responding to the February 2008 proposal. In all, 38 comment letters were received. While the highest number of letters, not surprisingly, came from the audit profession, we also received comments from investor representatives, fellow standard setters, and issuers. The comments received were constructive and helped guide the revisions that are before the Board today.

I thank Tom Ray, Greg Scates, Dmytro Andriyenko and their colleagues in the Office of the Chief Auditor for their hard work on this proposal. I also thank Jake Lesser and his colleagues in the Office of the General Counsel, who continue to provide our standard setters with skillful advice.

As Greg Scates and Dmytro Andriyenko have just described, the proposed standard has been revised in several important respects. The proposed standard continues to build on the strengths of the Board's interim requirement and the best practices of the profession. Most importantly in my view – the proposal continues to require enhanced review procedures that are meant to lead to a more meaningful EQR process. Because of the importance that the PCAOB places on the engagement quality review, this strong set of second eyes on the audit is critical to audit quality.

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At the same time, as staff pointed out, the new proposal reflects careful consideration of commenters' concerns. Among other things, in response to comments, the proposal distinguishes the procedures that would be required for an EQR of an audit and an EQR of an interim review. There was also significant debate in comment letters regarding the requirement for providing the concurring approval – that is, the “know or should know based on the requirements of this standard” threshold. The new proposal retains important requirements that support a careful and thorough review but contains a revised formulation based on the auditor’s existing duty to exercise due professional care. I believe all of these revisions are significant improvements that warrant additional reaction from the public.

I encourage all stakeholders to review this proposal and provide their insights, including whether it could be improved. I support this proposal and encourage commenters to contribute further to this important standard setting initiative.

Before I turn to my fellow Board members for any discussion, I must pause to thank Tom Ray for his service to the PCAOB. Tom has announced that he will leave the PCAOB at the end of this week. Tom is an individual of great integrity and talent. His commitment to high quality standards has inspired his staff and helped to navigate the Board through several standard-setting challenges. Tom led his team through the development of Auditing Standard Number 5, and equally importantly, has primed his team for its next stage of standard setting. Tom, I wish you all the best in your next endeavor and thank you for your service.

And I now turn to my fellow Board members.