

News & Events

Board Adopts Audit Documentation Standards, Rules for Oversight of Non-U.S. Firms

Washington, DC, June 9, 2004 – The Public Company Accounting Oversight Board today voted unanimously at its open meeting to adopt its third auditing standard along with rules related to the oversight of non-U.S. firms and certain terminology.

The Board adopted Auditing Standard No. 3, Audit Documentation, and a related amendment to an interim auditing standard, which establishes general requirements for documentation an auditor should prepare and retain in connection with engagements conducted pursuant to the standards of the PCAOB. The Sarbanes-Oxley Act of 2002 expressly directs the Board to establish auditing standards that require registered public accounting firms to prepare and maintain, for at least seven years, audit documentation "in sufficient detail to support the conclusions reached" in the auditor's report. This standard and the related amendment were proposed on November 12, 2003.

The Board also adopted a rule to set forth the terminology the Board will use to describe the degree of responsibility that the auditing and related professional practice standards impose on auditors. This rule was proposed on October 7, 2003.

In addition, the Board voted to adopt rules related to the oversight of non-U.S. public accounting firms. Section 106(a) of the Act provides that any non-U.S. public accounting firm that prepares or furnishes an audit report with respect to any U.S. public company is subject to the Act and rules of the Board. The rules set out a framework under which, with respect to non-U.S. firms, the Board could implement the Act's provisions by relying, to an appropriate degree, on a non-U.S. system. The rules were proposed on December 9, 2003.

The rules adopted today will not take effect unless approved by the Securities and Exchange Commission pursuant to Section 107 of the Sarbanes-Oxley Act. The texts of the standard and rules are available at www.pcaobus.org under Rulemaking.

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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.