



## U.S. Securities and Exchange Commission

### SEC Adopts Rules on Retention of Records Relevant to Audits and Reviews

**FOR IMMEDIATE RELEASE**  
**2003-11**

*Washington, D.C., January 22, 2003* — The Securities and Exchange Commission today approved the adoption of Rule 2-06 of Regulation S-X to implement Section 802 of the Sarbanes-Oxley Act of 2002.

**Documents to be retained** — Rule 2-06(a) will require that accounting firms retain records relevant to the audits or reviews of issuers' and registered investment companies' financial statements, including workpapers and other documents that form the basis of the audit or review, and memoranda, correspondence, communications, other documents, and records (including electronic records), which are created, sent or received in connection with the audit or review, and contain conclusions, opinions, analyses, or financial data related to the audit or review.

**Time of retention** — Rule 2-06(a) also will require that records be retained for seven years after the auditor concludes the audit or review of the financial statements, instead of the proposed period of five years from the end of the fiscal period in which an audit or review was concluded. This change will coordinate the Commission's rule with the forthcoming auditing standards from the Public Company Accounting Oversight Board (PCAOB), which will require the retention of audit documentation for seven years.

**Workpapers** — Rule 2-06(b) will define the term "workpapers" to be those documents that record the audit or review procedures performed, the evidence obtained, and the conclusions reached by the auditor. The definition will recognize that the PCAOB may establish auditing standards further defining the term.

**Differences of Opinion** — Because the auditing literature requires that records be retained only if they "support" the auditor's report, proposed Rule 2-06(c) stated that records should be retained if they support or "cast doubt" on the final conclusions reached by the auditor. The proposed rule also stated that an example of records that "cast doubt" on an auditor's conclusions would be "documentation of differences of opinion concerning accounting and auditing issues."

Several commenters stated that the proposed "cast doubt" language was unworkable and would lead accounting firms to retain documents related to

virtually every exchange of ideas on any topic. In consideration of the comments received, the "cast doubt" language will be replaced with a requirement to keep records that either support the auditor's final conclusions or contain information or data, relating to a significant matter, that is inconsistent with the final conclusions of the auditor on that matter or on the audit or review. Rule 2-06(c) also will state that the documents and records to be retained include, but are not limited to, those documenting consultations on, or resolutions of, differences in professional judgment.

The compliance date for these rules is October 31, 2003.

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The full text of detailed releases concerning each of these items will be posted to the SEC Web site as soon as possible.

*<http://www.sec.gov/news/press/2003-11.htm>*

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Modified: 01/22/2003