



U.S. Securities and Exchange Commission

SEC Commissioners Endorse Improved Sarbanes-Oxley Implementation To Ease Smaller Company Burdens, Focusing Effort On 'What Truly Matters'

FOR IMMEDIATE RELEASE
2007-62

Washington, D.C., April 4, 2007 - The SEC's Commissioners today endorsed the recommendations of the agency's professional staff to eliminate waste and duplication in the Sarbanes-Oxley compliance exercise, in a move that will particularly benefit smaller companies. The Commissioners urged the SEC staff to continue to work closely with the Public Company Accounting Oversight Board (PCAOB) to make the internal controls provisions of Section 404 of the Sarbanes-Oxley Act of 2002 more efficient and cost effective.

Under the Sarbanes-Oxley Act, PCAOB audit standards must first be approved by the SEC and cannot take effect without a vote of the Commission. The Commission expects the new PCAOB standard will be submitted for SEC review by the end of May or early June, in time for the 2007 financial statement audits.

"These needed improvements in the Sarbanes-Oxley process are especially urgent for smaller companies, who will begin complying with Section 404 this year," said SEC Chairman Christopher Cox. "The result of the new auditing standard for 404, together with the SEC's new guidance to management, should make the internal control review and audit more efficient by focusing the effort on what truly matters to the integrity of the financial statements," he added.

The Commission's open meeting featured presentations by Mark W. Olson, Chairman of the PCAOB, which is writing a new standard for auditor compliance under Section 404, and Jeffrey Steinhoff, Managing Director for Financial Management and Assurance of the Government Accountability Office, which has studied the impact of Section 404 on smaller public companies. The SEC's Office of the Chief Accountant also provided the Commission its analysis of the public comments on the PCAOB proposal and the Commission's proposed guidance for public company management.

The Commission's direction to its staff will focus the remaining work in four areas: aligning the PCAOB's new auditing standard (AS-5) with the SEC's proposed new management guidance under Section 404, particularly with regard to prescriptive requirements, definitions and terms; scaling the 404 audit to account for the particular facts and circumstances of companies,

particularly smaller companies, encouraging auditors to use professional judgment in the 404 process, particularly in using risk-assessment; and following a principles-based approach to determining when and to what extent the auditor can use the work of others.

The Commission's open meeting was a continuation of the collaborative process simultaneously announced by the SEC and the PCAOB in May 2006. Today's actions will help insure that the SEC can swiftly approve the new audit standard when the PCAOB transmits it for agency consideration, as is expected in coming weeks.

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Modified: 04/04/2007