

## PCAOB Adopts New Auditing Standard On Engagement Quality Review And Issues Concept Release on Requiring the Engagement Partner to Sign the Audit Report

Washington, DC, July 28, 2009 – The Public Company Accounting Oversight Board today voted to adopt Auditing Standard No. 7, *Engagement Quality Review (EQR)*, and to issue a Concept Release on requiring the engagement partner to sign the audit report.

The EQR standard provides a framework for the engagement quality reviewer to objectively evaluate the significant judgments made and related conclusions reached by the engagement team in forming an overall conclusion about the engagement.

"The EQR standard focuses the engagement quality reviewer's attention on the areas that are most likely to contain a significant engagement deficiency and increases the likelihood of identifying and correcting those deficiencies before the audit report is issued," said PCAOB Chairman Mark W. Olson. "The new standard goes a long way in clarifying the process."

The Sarbanes-Oxley Act of 2002 directs the Board to include in its auditing standards a requirement that each registered public accounting firm "provide a concurring or second partner review and approval of [each] audit report (and other related information), and concurring approval in its issuance, by a qualified person (as prescribed by the Board) associated with the public accounting firm, other than the person in charge of the audit, or by an independent reviewer (as prescribed by the Board)."

The Board initially proposed the auditing standard on February 26, 2008, and repropoed it on March 4, 2009.

AS No. 7 applies to all audit engagements, and engagements to review interim financial information, conducted pursuant to the standards of the PCAOB. The standard supersedes the Board's quality control standard, *SECPS Requirements of Membership*, Section 1000.08(f); 1000.39, Appendix E. The standard, if approved by the U.S. Securities and Exchange Commission (SEC), will become effective for both the EQR of audits and the EQR of interim reviews for fiscal years beginning on or after December 15, 2009.

Separately, the Board also is seeking comment on a Concept Release to consider the effects of a potential requirement for the engagement partner to sign the audit report. Any such requirement would be in addition to the existing requirement for the audit firm to sign its name on the audit report.

"The PCAOB has discussed the engagement partner signature with its Standing Advisory Group three times, and taken a close look at the Treasury's Advisory Committee recommendations as well as the new signature requirements for Member States in the European Union," said Chairman Olson. "We want to take a hard look at this issue and its potential benefits for investors, and look forward to a robust and informative comment period."

The Board is seeking comment on the Concept Release for a 45-day period.

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