

Agenda Item 2

Standing Advisory Group Meeting

June 21-22, 2004

Scope of the PCAOB's Standard-Setting Activities

Section 103(a) of the Sarbanes-Oxley Act of 2002 provides that the Public Company Accounting Oversight Board ("PCAOB") shall, by rule, establish auditing and related attestation, quality control, and ethics standards to be used by registered public accounting firms in the preparation and issuance of audit reports. Section 103(b) authorizes the Board to adopt rules relating to auditor independence.

In April, 2003, the Board adopted Interim Professional Standards on an initial, transitional basis in order to assure continuity and certainty in the standards that govern audits of public companies. Specifically, the Board adopted the following—

- Rule 3200T – Interim Auditing Standards
- Rule 3300T – Interim Attestation Standards
- Rule 3400T – Interim Quality Control Standards
- Rule 3500T – Interim Ethics Standards
- Rule 3600T – Interim Independence Standards

On December 17, 2003, the Board adopted certain technical amendments to its rules to reflect that the Board will be superseding, or effectively amending, the existing professional standards referred to in the Board's interim standards rules as the Board continues to set auditing and related professional practice standards. On April 28, 2004, the Commission approved the proposed rule amendments.

This paper was developed by the staff of the Office of the Chief Auditor in order to foster discussion among the members of the SAG. It is not a statement of the Board; nor does it necessarily reflect the views of the Board or PCAOB staff.

The Interim Professional Standards will remain in effect while the Board conducts a review of the auditing and other professional standards applicable to registered public accounting firms. Based on this review, the Board may modify, repeal, replace or adopt permanently the Interim Professional Standards, or any part thereof, by rulemaking according to the Board's procedures for the establishment of professional standards and subject to Commission approval.

Background Material Presented—

- PCAOB Release No. 2003-006, April 18, 2003, *Establishment of Interim Professional Auditing Standards*
- PCAOB Release No. 2003-005, April 18, 2003, *Statement Regarding the Establishment of Auditing and Other Professional Standards*
- PCAOB Release No. 2003-26, December 17, 2003, *Technical Amendments to Interim Standards Rules*