

JUNE 9, 2004 OPEN MEETING

Statement of Daniel L. Goelzer

Regarding

IMPERATIVES IN BOARD STANDARDS

I would like to emphasize two things concerning this recommendation.

First, Rule 3101 will not impose significant new substantive obligations on auditors. Instead, it reduces to writing the manner in which sophisticated accountants interpret existing auditing literature. The rule will define the three levels of auditor responsibility. Those definitions will apply both to standards that the Board issues in the future and to the Board's interim standards. However, the three levels of "imperatives" described in Rule 3101 are not new responsibilities; they are a codification. The only real new responsibility is the requirement to document decisions to deviate from presumptively mandatory standards.

Second, Rule 3101 is consistent with the auditor's responsibility to exercise of professional judgment. As I noted when this rule was proposed, the size, nature, and complexity of the business practices, accounting procedures, and internal controls of the over 6,000 public companies in the United States are tremendously diverse. As a result, audits cannot be performed by following a cookbook, like baking a cake. By distinguishing between auditing standards that are mandatory; those that are presumptively mandatory; and those that merely require that something be considered; these rules respect and buttress the need for auditors to exercise professional judgment based on the unique circumstances of each engagement.