
BRIEFING PAPER

BOARD CONSIDERS CONFORMING AMENDMENTS

SEPTEMBER 15, 2004, PUBLIC MEETING OF THE BOARD

The Public Company Accounting Oversight Board adopted interim auditing, attestation, and independence standards on April 16, 2003, based on standards that had been developed by the auditing profession before the Board was established. Since then, the Board has adopted several permanent standards that, in various respects, supercede the interim standards. At its meeting today, the Board will consider adopting amendments to its interim standards that would conform the text of the interim standards to the requirements of PCAOB Auditing Standard No. 2, "An Audit of Internal Control over Financial Reporting Performed in Conjunction with an Audit of Financial Statements."

If adopted by the Board, the conforming amendments would change and add to the interim standards certain text, including references, to assist auditors in performing integrated audits of financial statements and internal control. The conforming amendments would also apply certain concepts developed in Auditing Standard No. 2 to circumstances in which an auditor is engaged solely to audit a company's financial statements.

The Board proposed the conforming amendments on March 9, 2004 and sought public comment. The Board received and has carefully considered 10 comment letters. The recommendation before the Board today reflects certain changes to the conforming amendments based on the comments received.

The purpose of the conforming amendments is to specifically identify changes to the text of the interim standards that result from the adoption of PCAOB Auditing Standard No. 2. The identification of such changes is helpful in enabling auditors to comply with the Board's standards, as well as in eliminating potential confusion and inconsistencies in interpretation with respect to the affected portions of the interim

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standards. The scope of the conforming amendments is relatively narrow and comprises amendments to the interim standards resulting only from the adoption of PCAOB Auditing Standard No. 2, including –

- Consideration of internal control in a financial statement audit;
- Communication of internal control related matters; and
- Analytical procedures.

The conforming amendments affect the interim auditing, attestation, and independence standards of the Board. Those conforming amendments that affect audits of only the financial statements reflect clarifications of concepts that are, for the most part, already included in the Board's interim standards.

The conforming amendments, if adopted today, will not take effect unless approved by the Securities and Exchange Commission pursuant to Section 107(b) of the Sarbanes-Oxley Act. Those amendments that affect integrated audits would be effective at the same time as Auditing Standard No. 2 becomes effective (i.e., for integrated audits of the financial statements of accelerated filers in connection with periods ending on or after November 15, 2004). Those amendments that affect audits of only financial statements would be effective for audits of financial statement periods ending on or after July 15, 2005, which coincides with the effective date of the Securities and Exchange Commission's internal control reporting requirements for non-accelerated filers.

Background information on the conforming amendments is available on the Board's Web site at www.pcaobus.org under Rulemaking.

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