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TEMPORARY TRANSITIONAL RULE RELATING)	PCAOB Release No. 2004-014
TO PCAOB AUDITING STANDARD NO 2, AN)	November 30, 2004
AUDIT OF INTERNAL CONTROL OVER)	
FINANCIAL REPORTING PERFORMED IN)	PCAOB Rulemaking
CONJUNCTION WITH AN AUDIT OF FINANCIAL)	Docket Matter No. 016
STATEMENTS.)	
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Summary: The Public Company Accounting Oversight Board (the "Board" or "PCAOB") is adopting a temporary rule in response to an exemptive order of the Securities and Exchange Commission (the "Commission" or "SEC"). The temporary rule relieves some auditors from certain provisions of PCAOB Auditing Standard No. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements* ("Auditing Standard No. 2"). The temporary rule permits eligible auditors to date a report on management's assessment of the effectiveness of internal control over financial reporting later than the date of the report on the same issuer's financial statements. The temporary rule also permits these auditors to omit reference in the auditor's separate report on the issuer's financial statements to the auditor's report on management's assessment of the effectiveness of internal control over financial reporting. The temporary rule expires on July 15, 2005.

Board

Contacts: Thomas Ray, Deputy Chief Auditor (202/207-9112; rayt@pcaobus.org) or Laura Phillips, Associate Chief Auditor (202/207-9111; phillipsl@pcaobus.org).

On November 30, 2004, the Commission, by order, exempted some issuers from certain requirements of Exchange Act Rules 13a-1 and 15d-1.^{1/} The order allows

^{1/} Exchange Act Release No. 50754 (Nov. 30, 2004).

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an accelerated filer that has a fiscal year ending between and including November 15, 2004 and February 28, 2005 and a market value below a certain threshold an additional 45 days to file *Management's annual report on internal control over financial reporting*, required by Item 308(a) of Regulation S-K, and the related *Attestation report of the registered public accounting firm*, required by Item 308(b) of Regulation S-K. Among other things, the order requires an issuer relying on this exemption to file all of the other information required in Form 10-K within the 75 day period specified in the form and complete its Form 10-K by filing an amendment to include the omitted management and auditor reports not later than 45 days after the end of that 75 day period.

In light of this exemptive order, the PCAOB is adopting a temporary transitional rule, Rule 3201T, "Temporary Transitional Provision for PCAOB Auditing Standard No. 2, 'An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements.'" The temporary rule provides that, notwithstanding Auditing Standard No. 2, in connection with the audit of an issuer that does not file *Management's annual report on internal control over financial reporting* at the same time as it files its financial statements in reliance on the Commission's order, an auditor need not date the auditor's report on management's assessment of the effectiveness of internal control over financial reporting with the same date as the auditor's report on the issuer's financial statements,^{2/} as long as the date of the report on management's assessment is later than the date of the report on the financial statements. In addition, such auditors need not include in the auditor's separate report on the financial statements a paragraph that refers to the report on management's assessment of the effectiveness of internal control over financial reporting.^{3/} The temporary rule expires on July 15, 2005.

The Board's practice is to seek, whenever practicable, public comment prior to adopting a rule and submitting it to the Commission for approval. The Board has determined that this is the unusual case in which public comment is not practicable, in light of the imminence of the filing requirements at issue. The Commission issued its order "[t]o ensure that there is a continuing and orderly flow of annual report information to investors and the U.S. capital markets, and to ensure that certain annual report filers and their registered public accounting firms are able to file complete and accurate

^{2/} See, e.g., Paragraph 171, Auditing Standard No. 2.

^{3/} See, e.g., Paragraph 170, Auditing Standard No. 2.

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reports regarding the effectiveness of the filers' internal control over financial reporting...."^{4/} The Commission's order applies to certain issuers with fiscal years ending between and including November 15, 2004 and February 28, 2005. These issuers must file Form 10-K shortly. Accordingly, the Board is not seeking public comment on this rule. Rather, the Board has determined to adopt the rule and to submit it to the Commission for accelerated approval. The rule will not take effect unless approved by the SEC.

On the 30th day of November, in the year 2004, the foregoing was, in accordance with the bylaws of the Public Company Accounting Oversight Board,

ADOPTED BY THE BOARD.

/s/

J. Gordon Seymour
Acting Secretary

November 30, 2004

APPENDIX –

Propose Rule 3201T

^{4/} Exchange Act Release No. 50754 (Nov. 30, 2004).

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Appendix – Proposed Rule 3201T

RULES OF THE BOARD

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SECTION 3. PROFESSIONAL STANDARDS

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Part 1 – General Requirements

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Rule 3201T. Temporary Transitional Provision for PCAOB Auditing Standard No. 2, "An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements."

(a) Notwithstanding Auditing Standard No. 2, in connection with the audit of an issuer that does not file *Management's annual report on internal control over financial reporting* in reliance on SEC Release No. 34-50754, Order Under Section 36 of the Securities Exchange Act of 1934 Granting an Exemption from Specified Provisions of Exchange Act Rules 13a-1 and 15d-1 (November 30, 2004), a registered public accounting firm and its associated persons need not:

(1) Date the auditor's report on management's assessment of the effectiveness of internal control over financial reporting with the same date as the auditor's report on the issuer's financial statements, provided that the date of the auditor's report on management's assessment of the effectiveness of internal control over financial reporting is later than the date of the auditor's report on the issuer's financial statements; or

(2) Add a paragraph to the auditor's separate report on the financial statements of an issuer that refers to a separate report on management's assessment of the effectiveness of internal control over financial reporting.

(b) This temporary rule will expire on July 15, 2005.