

Current PCAOB Policy Initiatives

103rd Annual Meeting of NASBA

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Disclaimer

- The views I express are my own and do not necessarily reflect those of the Board or its other members or staff.

PCAOB Constitutionality

- ❑ The Supreme Court issued its decision in FEF v. PCAOB on June 28, 2010.
- ❑ The Court held that PCAOB Board members can be removed at the discretion of the SEC.
- ❑ The Court upheld the SEC's ability to appoint Board members.

PCAOB Inspections Program

- ❑ The Board annually inspects accounting firms that issue audit reports on more than 100 SEC-reporting companies. The Board inspects other firms that regularly issue audit reports that are filed with the SEC at least once every three years.
- ❑ This year, the Board will conduct approximately 267 inspections, including 73 outside of the United States.

Report on Audit Risk Areas Affected by the Economic Crisis

- ❑ On September 29, 2010, the Board issued a Report on Observations of PCAOB Inspectors Related to Audit Risk Areas Affected by the Economic Crisis.
- ❑ Audit areas discussed include fair value measurements, impairment of goodwill and other intangible and long-lived assets, allowance for loan losses, off-balance sheet structures, other-than-temporary impairment of certain investments, revenue recognition, inventory valuation, and income taxes.

Non-U.S. Inspections

- ❑ One of the most difficult challenges the Board faces is meeting its responsibilities to inspect non-U.S. accounting firms that audit U.S. public companies.
- ❑ The Board has conducted nearly 250 foreign inspections in 34 countries. However, we are currently unable to inspect in the member states of the European Union, Switzerland, and China.

Non-U.S. Inspections (continued)

- ❑ The Board's website lists the countries in which we cannot inspect, the firms we cannot inspect, and the public company clients of those firms.
- ❑ On October 7, 2010, the Board announced that it would no longer routinely process registration applications from firms in countries where we are unable to perform inspections.

Broker-Dealer Auditor Oversight

- ❑ The Dodd-Frank Act gave the Board inspection, standard-setting, and enforcement authority over the auditors of SEC-registered securities broker-dealers.
- ❑ There are approximately 5,400 broker-dealers. An additional 540 firms registered with the Board because they audit broker-dealers.
- ❑ The Board will be developing an inspections program for these firms and will be required to adopt auditing standards applicable to their work.

Standards-Setting Agenda

- ❑ The Board recently adopted eight standards on audit risk assessment and its impact on the planning and performance of the audit.
- ❑ The Board has published proposals or concept releases dealing with three topics –
 - Auditor/audit committee communications.
 - Use of audit confirmations.
 - Failure to supervise.

Standards-Setting Agenda (continued)

- Other topics on the current standards setting agenda include –
 - Use of the work of other auditors.
 - Use of the work of specialists.
 - The auditor's reporting model.

Enforcement Program

- ❑ The Board has an active enforcement program. So far this year, we have announced settlements in 6 cases.
- ❑ Until they are settled or a decision is issued finding that a violation occurred, Board enforcement cases against individual accountants and firms are non-public, unless the parties consent to public proceedings.
- ❑ The Board has asked Congress to amend the Sarbanes-Oxley Act to make litigated enforcement cases public, unless the Board orders otherwise.

Questions

