

**SECURITIES AND EXCHANGE COMMISSION**  
**(Release No. 34-59991; File No. PCAOB-2008-06)**

**May 28, 2009**

**Public Company Accounting Oversight Board; Order Approving Proposed  
Amendment to Board Rules Relating to Inspections**

**I. Introduction**

On December 9, 2008, the Public Company Accounting Oversight Board (the "Board" or the "PCAOB") filed with the Securities and Exchange Commission (the "Commission") a proposed rule amendment (PCAOB-2008-06) pursuant to Section 107(b) of the Sarbanes-Oxley Act of 2002 (the "Act") relating to the Board's rules governing inspections of registered public accounting firms. Notice of the proposed rule amendment was published in the Federal Register on April 24, 2009.<sup>1</sup> The Commission received four comment letters relating to the proposed rule amendment. For the reasons discussed below, the Commission is granting approval of the proposed rule amendment.

**II. Description**

On December 9, 2008, the PCAOB submitted to the Commission a proposed amendment to its inspection rules to adjust the inspection frequency requirements for certain non-U.S. registered public accounting firms. The proposed amendment would add paragraph (f) to existing Rule 4003 to provide that, with respect to any foreign registered public accounting firm that under the Board's inspection rules had a 2008 deadline for the first Board inspection, such deadline would be extended to 2009. Pursuant to the requirements of Section 107(b) of the Act and Section 19(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), the Commission published the proposed amendment for public comment on April 20, 2009.

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<sup>1</sup> See SEC Release No. 34-59792 (April 20, 2009); 74 FR 18753 (April 24, 2009).

### III. Discussion

Section 104 of the Act requires the PCAOB to conduct a continuing program of inspections to assess the degree of compliance of each registered public accounting firm and associated persons of that firm with the Act, the rules of the PCAOB, the rules of the Commission, and professional standards, in connection with its performance of audits, issuance of audit reports, and related matters involving issuers. Section 104(b)(1)(B) of the Act requires the PCAOB to conduct an inspection, at least once every three years, of each registered firm that regularly provides audit reports for 100 or fewer issuers, and Section 104(b)(2) of the Act authorizes the PCAOB to adopt rules adjusting that frequency.

The Commission received four comment letters relating to the proposed rule amendment. Three of the comments came from registered public accounting firms<sup>2</sup> and one came from a foreign regulator.<sup>3</sup> The letters from the accounting firms supported adoption of the amendment, although one questioned whether a one year delay provided sufficient time for resolution of the issues related to the affected inspections. While not specifically related to the proposed amendment, all of the commenters also reiterated views on foreign inspections more generally, which they indicated they also had expressed to the PCAOB in response to a Board request for comment issued concurrently with the issuance of the proposed amendment. We are mindful of these and other views regarding the implications of foreign inspections. We will continue to work with the PCAOB on these issues and encourage the PCAOB to consider these comments in

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<sup>2</sup> Deloitte Touche Tohmatsu; PricewaterhouseCoopers LLP; and Ernst & Young LLP.

<sup>3</sup> China Securities Regulatory Commission.

connection with any future action the Board considers, including the impact of a further delay of the inspections affected by this proposed amendment.

The proposed amendment itself does not limit the PCAOB's authority to conduct inspections at any time and does not affect registered firms' obligations under the Act. Nor does it, nor could it, resolve the broader views expressed by the commenters. However, as the Board explained, the adjustment would provide additional time to continue discussions on outstanding matters and work towards cooperation and coordination with authorities in all relevant jurisdictions. The adjustment will accomplish this while delaying a relatively small number of inspections.

#### **IV. Conclusion**

On the basis of the foregoing, the Commission finds that the proposed amendment to the Board's rules governing inspections of registered public accounting firms are consistent with the requirements of the Act and the securities laws and are necessary or appropriate in the public interest or for the protection of investors.

IT IS THEREFORE ORDERED, pursuant to Section 107 of the Act and Section 19(b)(2) of the Exchange Act, that the proposed rule amendment (File No. PCAOB-2008-06) be and hereby is approved.

By the Commission.

Elizabeth M. Murphy  
Secretary